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Plastics panic: price hikes jeopardise exports

SKYROCKETING raw material prices and serious supply problems have cast the New Zealand plastics industry into a state of confusion.

Prices for petrochemicals are rising so rapidly that New Zealand agents for world suppliers are unwilling to accept forward orders at fixed prices.

In some cases, world suppliers have dropped New Zealand off their supply lists for the second quarter. In other cases, quotes have been cut by 50 per cent.

New Zealand plastics manufacturers already have been hit with price hikes since Christmas of up to 30 per cent, and many are uncertain of getting their raw material needs for the next few months.

Polyethylene, one of the industry's major materials, has risen from $640 per tonne in December to $850 a tonne in February.

MURRAY CALVERT . . . "exporting is worst problem."

Suppliers say they wouldn't be surprised to see it reach a $1000 per tonne within the next few weeks.

Plastics Institute president Murray Calvert said it is impossible to make any intelligent statement on what is going to happen. "The position is in a continual state of flux and we are literally unable to get quotes for more than one month ahead.

"Exporting is the worst problem. It's totally impossible to quote prices. When it comes to competing in exports, fluctuating prices and unreliable quotes are disastrous."

The Plastics Institute executive is currently preparing a paper backgrounding the situation. It is advising the industry against a repeat of the panic buying that took place in the face of soaring prices and material shortages in 1974. At that time, many local manufacturers panic stockpiled at high prices, and then faced liquidity problems as world prices fell off.

Until recently, world manufacturers had been dumping raw material here, providing stocks for some local industry at below world prices.

World raw material makers have been suffering low returns on considerable investments, caused by an over capacity in the industry combined with rising prices for naphtha.

Naphtha is the petroleum-based feedstock from which most plastics are made, and naphtha supply and demand margins have never been closer. Prices have more than doubled in the last two months.

An Auckland manufacturer based a Government tender on what he thought was a firm price for styrene powder. Now his suppliers want an 8¼ per cent increase, or threaten to plead force majeure to cancel the contract. A major PVC agent told NBR that his American supplier, Conoco, would not be supplying New Zealand for the next quarter. He could get PVC from West Germany at $950 a tonne — $100 per tonne more than the current PVC price.

Elsewhere, supply houses painted similarly gloomy pictures. All said they would try to look after loyal customers, but warned that those who had been playing the market to buy plastic at dumped prices could be left high and dry.

Said plastics manager at Buckley and Young, Laurie Cranfield: "New Zealand has a bad reputation for disloyalty to suppliers. Manufacturers here have been enjoying the rock bottom prices that dumping brought — now the chickens have come home to roost".

Speaking for the industry as a whole, Calvert said: "It's all very well to talk about loyalty to suppliers, but this is private enterprise and we have to survive. People have chased low prices to do just that.

"We are worried, but I don't think this crisis will push any one through. Frankly, we are more worried about what the Government will do on protection."

Industry sources currently predict a further raw material price rise of between 20 and 30 per cent — but the situation is still far from clear.

One major concern among manufacturers is that price control regulations will not allow them sufficient leeway to manoeuvre. One may apply for a price increase only every six months. The manufacturer who has recently been granted his last increase will have to wait a further six months to pass on these rapid increases in raw material to the consumer.

One advantage New Zealand manufacturers have over their overseas competitors is that they keep larger stockpiles, while overseas companies close to the source of supply do not.

Thus, New Zealand manufacturers have some breathing space to wait and see where the fluctuating prices fall.

Inside:

Power will generate $70m extra oil imports

THE Government may well decrease its internal deficit by $137 million with its massive electricity price increase, but late last week energy specialists said they believed a direct result of the increase will mean another $60-70 million each year in oil imports.

Energy observers were quick to point to significant downturns in power demand as household budgets become strained by burgeoning electricity prices in the winter.

They say the downturn will mean a lower requirement for Maui gas from the New Plymouth and Huntly gas-fired power stations, and an associated fall-off in condensate recovery from the Maui field.

Hence, the Government will be faced with the dilemma of either spilling water from the country's hydro lakes, and running the gas-fired power stations to stimulate condensate recovery, or using power from the hydro lakes and leaving condensate in the ground.

But which ever action is taken, the Government will have no control over the householder who brings out the woolly jumpers and turns off the heaters.

The shock increase could also mean financial embarrassment for the country's 61 electric supply authorities.

The pricing arrangement for the purchase of bulk power from the Electricity Division hinges on a formula which centres on the most excessive peak loads.

On this basis, half the cost of power to the supply authorities is calculated for the year. Thus, if there is a violent cold snap in a generally mild winter, the supply authorities will be paying an excessive tariff.

Under the old system, fewer dollars were involved in the pricing deal with the Government, but now it is big money.

Like consumers, many of the supply authorities are concerned at the implications for the coming winter, and their president, Stewart Duff, has been asking pointed questions about the quality of advice the Government has been getting.

NBR inquiries show that the proposal was offered by Treasury, and it is only now that energy officials are evaluating the ramifications.

One official makes it clear that from an energy management point of view the Government acted rashly.

He says the country should have been faced with solving the issue of supply and use of liquid fuels, and then, as part of an orchestrated action, introduce a series of price increases to electricity or other energy forms.

Another observer said that the electricity price hike could mean the country will be held responsible for triggering the Emergency International Energy Agency's oil pooling plan.

Under this arrangement, New Zealand and other signatories, such as the United States, are obliged to restrain demand if supply falls 7 per cent.

He says if the electricity price increase does in fact create extra demand, at a time when world oil supply has dropped at least 10 per cent, it may be enough to cause us to become the embarrassment of the IEA agreement.

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Can the Government really control our future?

by Colin James

DOES the country really want radical economic change of the sort being advocated in various economist and official circles?

Would it not prefer to muddle through to the promised fish and blueberry bonanza and the huge energy surpluses of the 1990s?

I ask the question because I have seen precious little evidence of desire for change, outside a fairly small circle pretty much confined to Wellington. There is still less evidence of preparedness for change.

Some proponents of change have claimed that the country is ready for and demanding change. But I think that the general population goes no further than being aware that all is not well, that things are not as they were.

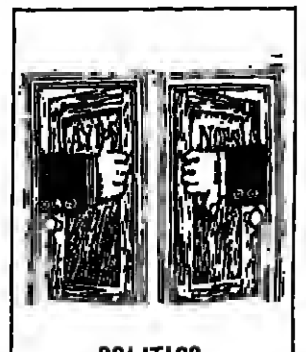
I think they want to go back — to the comfortable, affluent sixties — rather than on to the brave new world. It is more a sense of bewildered loss than excitement at a challenge.

The electoral turmoils of the past few years, the plunge towards Social Credit last November, are more consistent with disorientation than purpose though I have to acknowledge that the main parties gave no lead on to which purpose could be grafted.

More symptoms are likely to show this year: the post-election squeeze to deal with the Government deficit (and a wage freeze?) is likely to provoke more bitterness in industrial relations as workers try to shore up what they see as slipping standards of living, just as they are doing in an arid and directionless Britain right now.

Emigration shows every sign of continuing; business confidence is turning down again. This is the mood of desperation, not boldness.

At this rate, unless something turns up — in the shape of a dramatic agricultural price improvement, or whatever — by 1981, living standards are not likely to improve much by the next election.


POLITICS

An electorate (most of it) with memories of the steady growth of the 1960s is not likely to react kindly to the Government that did not do something about it.

The Treasury has been telling the economic side of this story to the Prime Minister. And some influential people in the party have been telling him the political side — or at least telling each other loudly enough so he can hear.

"Go on as we are," the conventional wisdom in these circles is becoming, "and we are out in 1981. We need dramatic action. If the Prime Minister won't do it, we will get someone who will."

A move towards freeing the economy would bring with it a bonus: a recommitment of the private enterprise vote, the back-to-basics people with whom Sir John Marshall has struck a chord.

People who have worked with the Prime Minister say he is accustomed to thinking in the short term — and he has good reason to distrust the short-term effects of the radical changes now being urged on him (effects which may be unknowable).

But the sheer weight of political pressure may this time persuade him to try the long-term strategy.

Consider, however, the context in which such a decision would be taken.

It would be no imaginative blow for a philosophical, or even ideological, principle (at least not among ministers — the Treasury may be pursuing a deeply rooted economic philosophy).

It would be an ad hoc reaction, just as countless ad hoc reactions led the Holyoake National Government progressively towards Labour-type economic interference and regulation and away from its free enterprise roots. Holyoake honed down to a fine art the nuances of pressure group politics (leaving in his wake a well-tuned and close-knit network of favour-givers and favour-extracters which outflanks most ministers).

If the National Party had been serious about its commitment to free enterprise it would not have waited until now to do something about it, but would have moved when there was some fat in the economy and it could have been more easily done (more easily in the economic sense at least; maybe not politically).

Now things are happening irrespective of whether or not the Government really wants them to. It is being propelled towards radical change by forces beyond its control.

A Labour Government, with its ideology of control, could resist the forces but, if the Treasury assessment is correct, at the expense of electoral survival. A National Government, with no ideology of control, will find it less easy.

The realisation of this would come as a shock to the Government, accustomed to an assumption, shared with the electors, that governments can cure all.

Doctors used to have a similar assumption. During the 1970s they have been realising their limitations. Now the "amazing doctor Muldoon" is being told by the Wellington cognoscenti that he cannot cure all economic ills.

He is being told that the body economic has to be left largely to cure itself. The best the Government can do, so the new wisdom has it, is administer pain-killers to the parts that hurt the most.

The alternative, he is being told, is a body politic racked by convulsions.

Thus a public which instinctively does not like change is, by its very dislike of the change of circumstances that has ended the happy sixties, indirectly promoting change.

There may be more in store. Technological changes over the next 10 years or so may undermine articles of faith that have guided governments for 30 years.

As numerous people take delight in pointing out, Government spending has been growing as a proportion of the country's total spending. The process has fed on itself, turning big government into bigger government, extending control and regulation and expanding the functions, and in the end the power, of the bureaucracy.

It has become commonly assumed that the Executive has the right, and perhaps the duty, to control minutely large chunks of our everyday lives — for our own good, of course.


SIR KEITH HOLYOAKE . . . legacy of ad hoc politics.

As information processing technology has developed, the Big Brother spectre has been rising: the Wanganui computer is New Zealand's most visible example.

But the next stage of computer technology — the microprocessor — may reverse that trend.

Already there are coding devices to scramble your telephone conversations if you so wish, at low cost and with virtually no possibility of the code being broken. Bad news for the SIS.

It would be no colossal feat to hook television sets, with cheap printouts and maybe even cheap information storage facilities, to telephone circuits and import thereby into your home a vast range of information, from the latest supermarket prices to commercially-sold Ian Fraser. So much for the trendy leftie at Avalon.

Norman Macrae, deputy editor of the London Economist, enthuses over the possibilities in communication that microprocessors are opening up. He argues that electronic communication could, in the next 10 years, severely cut down the need for shuffling paper and so increase productivity and decrease the numbers of office workers — bureaucrats — both in business and government, in the process decentralising much current activity.

He foresees a trend toward consumer economics and even consumer politics as people exploit the opportunities opened up to them and multiple choice undermines attempts at central direction.

In a challenging survey (Economist, December 23, 1978) he argues a move towards smaller government based on consumer choice.

Macrae's conclusions are not the only ones that can be drawn. But he is almost certainly correct in arguing that the social, political and economic effects of the microprocessor revolution will be far-reaching.

It will not matter whether governments or publics want radical changes. They are going to come. The best government will be the one that can ride the tiger.

Court rules against ministry in deer case

by Rae Mazengarb

MINISTRY of Agriculture and Fisheries bureaucrats were rapped over the knuckles by Court of Appeal judges who ruled that they had acted in excess of their legal powers and had misled the Minister into making a decision which denied a South Island company a licence to export venison.

The company was not given reasons for the Minister's decision, which the court found was made on grounds irrelevant to the legal criteria.

The court criticised a report from the director-general to the Minister for not putting the company's affairs into a proper perspective.

And it complained that the facts put to it by the director-general ignored crucial issues and were misleading.

The company was Fiordland Venison Limited, which in 1964 established a game packing house.

The company's business was a substantial and valuable one — in 1974 it had processed 5052 deer carcases (6.4 per cent of the New Zealand total).

Until 1975, game was exported from New Zealand to various countries, the major one being West Germany which took about two-thirds of the total.

From 1975, West Germany imposed stricter requirements on deer imports, but no packing house in New Zealand could meet the new standards immediately.

The Ministry of Agriculture and Fisheries successfully negotiated with the West German authorities a transitional year during which, subject to conditions, exports would be accepted if processed within a limited number of plants for which the ministry was able to provide inspection services and regular veterinary supervision.

The Te Anau company was not among those houses nominated; therefore, it processed only 582 deer in 1975.

The Meat Amendment Act 1975 and the Game Regulations 1975 established a new system of licensing.

The ministry notified the company of how its packing house would have to be upgraded to qualify for a licence under the new regulations.

Fiordland Venison replied with its plans for upgrading, giving reasons in support of its application (including a reference to its successful operations in the past).

In February 1976, Agriculture Minister McIntyre notified the company that — "having regard in the criteria for new licences set out in the provisions of the Game Regulations 1975" — he had decided that the application should be declined and the company was to cease operations almost immediately.

The letter gave no reasons for the decision.

The criteria for the granting of a licence are stated in Regulation 10 of the 1975 Regulations. These provide that "the Minister shall grant and issue a licence ... if ... he is satisfied that — (v) The issue of a licence would not have a significant detrimental effect on the economic operation of any game establishment . . . "

The Minister's decision had followed a report to him by the ministry's director general.

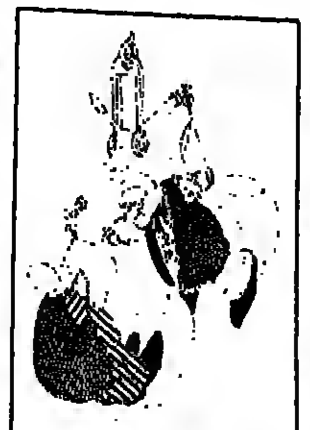
That report noted that the Te Anau company processed only 582 deer in 1975.

But it did not say why. Instead it merely said this was not an economic operation.

It added that the deer previously handled by the company were being successfully handled elsewhere, and that the Parliamentary Under-Secretary had agreed a licence for the company could not be justified because of the effect on "existing premises".

After an unsuccessful application to the Supreme Court for a review of the Minister's decision, the company appealed to the Court of Appeal.

That court decided that the Minister had wrongly refused to grant the company a licence, and proceeded to grant it.


THE LAW

The Court of Appeal was critical of the ministry's actions, which it found almost approached contempt for the regulations which clearly outlined the criteria for the grant of a licence.

Rather, the ministry had rejected the application for reasons of its own.

The court complained it was hindered by "the paucity of the one affidavit filed for the defence ..."

Mr Justice Cooke referred to the Minister's failure to provide the company with reasons for his refusal to grant the licence.

Nor had the court itself been provided with those reasons by way of affidavit from the Minister.

The one short affidavit that was filed for the defence — by the director-general — was "distinctly uninformative on the crucial issues".

In fact the affidavit was misleading because, among other things, it stated that the throughput of the company had declined "dramatically" in 1975 but did not add that this was because, under the ministry's arrangements, the company was not allowed in that year to process for export to West Germany.

The affidavit concluded that the application had been declined because the applicant did not meet the criteria for a new licence set out in the regulations, without specifying which criteria were not met.


DUNCAN McINTYRE...was misled

On this information, the court was expected to reach its decision.

The court said it was unimpressed by the director-general's report to the Minister, which had failed to put the issues raised by the regulations into focus.

Both Mr Justice Woodhouse and Mr Justice Cooke concluded that the Minister had rejected the company's application on the grounds of "rationalisation" of the industry. But this was irrelevant to the test of the regulations.

"The regulations do not provide for a policy decision by the Minister," said Mr Justice Cooke.

"They require him to consider only a series of specific and apparently carefully limited questions."

He pointed out that those affected by administrative decisions are "entitled to an explanation".

This case had "echoes of another case" (involving the Ministry of Transport), because again there was a reluctance to bring out the real purpose of the regulations concerned.

"It is vital for the court to be as fully informed as reasonably possible of the facts and issues as they presented themselves at the time to the authority whose decision is under review," the court's decision said.

Wine-by-glass issue raised

THE field day held under the auspices of the Wine Institute of New Zealand saw lobbying by 21 politicians of both parties.

In his speech at the luncheon, Justice Minister McLay alluded to the Wine Institute's submission concerning the sale of wine by the glass (a complex issue which we won't go into in detail).

Unquestionably this would be welcomed generally by the public, but under GATT obligations, the sale of wine by the glass could not be confined to New Zealand wine.

The Wine Institute, an uncompromising advocate of protectionism, would not welcome the field being broadened.

Labour's Bob Tizard suggested that one way to help the industry would be to increase the sales tax on lower-priced imported wines and decrease it on higher-priced wines.

EDITORIAL

SOMEWHERE in Britain, there is — or, at least, was — a condom vending machine with a notice which advises that the product has been designed to comply with the highest British specifications and standards. "And so was the Titanic," a graffiti writer has added, reminding us that standards are always open to improvement — and should be improved when shown to be inadequate.

Transport Minister McLachlan, however, seems to regard standards as inviolate. After the fatal crash of a Fokker Friendship at Auckland International Airport, he and Prime Minister Muldoon maintained the public had nothing to worry about. McLachlan described as "unfortunate" the doubts expressed about the rescue facilities at Mangere, and insisted they met the rigid requirements of the International Civil Aviation Organisation. Muldoon complained that McLachlan's assurance wasn't properly publicised, and decreed: "When a responsible Minister makes a statement of importance in the public interest, I think the media have some kind of public duty to record it."

Muldoon reiterated that the airport was complying with required standards when the Friendship crashed, and said that if at any time, and for whatever reason, equipment and personnel are unable to meet those standards, the airport is closed to aircraft movement.

But whatever the regulations say, it was obvious that a planeload of passengers crashing into the mudflats would have sorely tested the services. The rescue hovercraft was out of action and one of two rescue dinghies had to be rowed 400 metres to the crashed plane because its outboard engine was out of action. The dinghies, primarily for carrying rescue equipment, could carry only about 10 people each.

The hovercraft had fallen victim to bureaucratic paralysis which had left it inactive for more than a year. Originally scheduled for completion in September after a major overhaul, the repairs were not finished till the end of last year because some parts were delayed, and long before that the question of who should be paid what for rubber fitting work had been raised and remains unresolved. Indeed, the hovercraft initially had been picked up as a bargain, which tells us something about the prudence of buying vital equipment on the cheap.

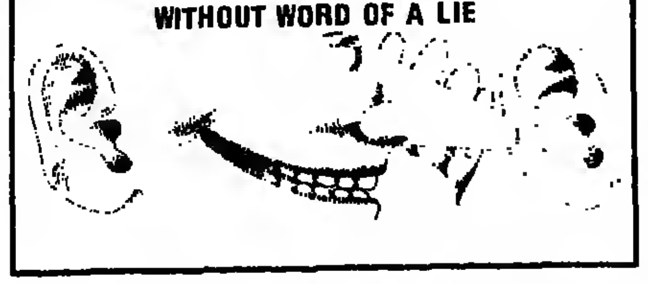
To cap things off, McLachlan set out to elaborate on his statement at a press conference and succeeded only in exposing his ignorance about the regulations whose worth he had been upholding. He said the two rubber dinghies were all that was required under the safety standards, and that the rescue hovercraft was an extra. But — according to one report — he could give no further details of safety requirements. He didn't even know if different standards of safety were laid down for different airports (Wellington has a jet boat, Auckland does not), yet repeated that he was "satisfied that the standards of rescue and firefighting on airports in New Zealand are adequate", a naive faith rooted in the fact that: "No one has told me that they are not and no one has demonstrated that they are not."

When a senior civil aviation official subsequently acknowledged on Radio New Zealand that the rescue service at Mangere was under strength on the day of the crash, and that the hovercraft should have been operational, McLachlan should have been shamed into resignation. His blind acceptance that the regulations were being met ranks for sheer irresponsibility with the denials from Muldoon and Police Minister McCready that random searching of overstayers had taken place in 1976, followed by admissions that random searching indeed had taken place.

When Ministerial statements become factually suspect, the implications are grave. How, for example, can the public believe that the economy is just as Ministers say it is? Doubts raised about the Government's credibility in turn mean business confidence — for one thing — must be built on shaky foundations.

Bob Edlin

WITHOUT WORD OF A LIE



THE word from some sources close to Air New Zealand is not too good. The company is budgeting, we understand, for a loss of more than $20 million in its 1979-80 year.

Mind you, there is also a strong rumour abroad that letters of intent have been sent to an aircraft manufacturer for the purchase of a couple of jumbos and also an airbus or two.

And on another front there is some understandable annoyance with the airline's policy of differential payments to staff who are having to move to Auckland and buy new homes. If employees cannot get a reasonable price for former homes, or have to pay more for an equivalent house in Auckland, the taxpayer foots the bill through an ex-gratia payment from Air New Zealand to make up the deficiency.

There is also a growing feeling that domestic operations of the airline will be used to help pay for the international operations of Air New Zealand.

All the fears about the merger of Air New Zealand and NAC leading to costs to the country appear to be coming true.

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AT least one big building company is retrenching on the grounds that the Government has made it impossible to plan a secure future.

Company executives say they can't prepare budgets or plan new ventures with any certainty when the Government changes the ground rules for their industry from month to month.

Latest example of the Government's shifting the foundations of the industry: the decision the other day to end the restriction which had allowed the Housing Corporation to lend only to families with three or more children, a controversial policy which had been implemented just a few weeks earlier.

And there's more to come. Housing Minister Quigley promises further upheaval when the Government's housing policy for the year is announced at the end of this month.

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IT'S not the Irish, but we New Zealanders who are the world's big joke, according to Australian Financial Review economics writer P P McGuinness.

In an interesting article on the revival of the Irish economy, McGuinness draws an obvious comparison between the way in which the Irish have gone about coping with a problem economy so much like New Zealand's, and the way New Zealand has coped.

"What the Irish are doing is of great interest," says McGuinness, "since it is one of the few examples of a small, developed economy in the English-speaking world which has made a conscious decision to turn its economy around and reorient it in the direction of growth, not through an attempt at interventionism but through the development and encouragement of competitive manufacturing exports.

"Like Ireland used to be, New Zealand is predominantly agricultural, with a highly protected manufacturing sector, suffering from an excess of ill-conceived interventionism and sleepily determined to go from crisis to crisis in the hope that something or other will turn up.

"Unlike Ireland, New Zealand has shown no realisation of the desperate problems facing it. Despite a Government which pays lip service to private enterprise and competition it continues to cosset a manufacturing sector which is inward-looking and highly protected," says McGuinness.

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AS NBR went to press, INL had complained about a paragraph in this column last week.

Discussions on the complaint were not completed before this issue was committed to print. But we would like to emphasise that our reference to the company's selling of properties to cover payment of a dividend referred to INL's desire to maintain its liquidity for a dividend payment.

We were not suggesting that a dividend could be paid only if real estate holdings were sold.

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LAST published in June 1974, the Post Office's long-awaited updated directory of box-holders will be issued within a few weeks, we have learned from a Post Office spokesman.

The directory has been printed and is being distributed among the bigger of the country's 1400 post offices.

That news, we trust, should answer the complaint put to us by a businessman that he didn't have an up-to-date directory, and that he couldn't find out from his post office when a new one would be published.

It doesn't take care of his observation that the Post Office should have box-holder directories published annually and made freely available to the public. This, he argues, would enable the public to post mail to the right box numbers, and so save the time and effort now wasted by Post Office staff having to readdress mail.

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THE recent issue of Statesmen stamps, which feature the heads of Richard Seddon and other notable men of power, is not in the best of taste. A Wellington businessman says his employees have complained so bitterly about the foul-tasting gum on the back that he has been forced to stop buying them.

At least one suburban post office has received numerous complaints from stamp-lickers. Only the Statesman issue is causing consumer problems. Although Frank Bircher, deputy chief postmaster, recalls a similar incident some years back, complaints about the new issue have not yet reached him.

The Post Office frowns on stamp-licking anyway, and provides sponges or rollers to do the job. Is the objectionable gum a behavioural psychologist's attempt to stamp out a filthy habit?

INL management chose to publicly expose some of its communications problems last week when conjecture was raised about who might run the country's third television channel.

In The Dominion, one of the more storm-swept vessels in the INL fleet, TV writer Warren Mayne reported on Wednesday morning that there was room for a third television channel. He listed Vid-Com (a New Zealand News subsidiary) and Concept Video (an INL subsidiary) as among the likely contenders, and quoted Vid-Com's managing director Eric Price as confirming approaches from executives of Concept Video for a joint bid for a new television network warrant.

The picture became rather confused when INL's Evening Post set out to make nonsense of The Dominion story under the headline "Third TV channel report denied by company head."

The story opened with the news that Price denied reports that a private third television channel was being considered by Vid-Com, and quoted him as saying "Anybody thinking of a third channel at the moment wants his head read."

Price went on to confirm he had discussed matters with Concept Video, but said it was his personal view that no third channel stood a chance of being economically viable before 1986. The Dominion's report, of course, had clearly said in the second sentence: "One thing is certain TV3 won't arrive before the mid-1980s."

More interesting, as things turned out, was a separate item, reporting a denial by INL managing director Alan Burnet (which effectively meant his taking issue publicly with something written by a member of his own staff).

He said he had no knowledge of any plans from within the group to become involved in an application for a possible third television channel. And the headline boldly said "No plan to apply for TV channel."

Mayne returned to the fray in The Dominion next morning: This time, he reported that the first firm inquiry about starting a third television channel had been made the previous day (about the same time Burnet was making his denials, maybe).

The story quoted a Justice Department official as confirming there had been inquiries for application forms for a television warrant and a request for details of the information required.

"The inquirer was Mr Donn Lock, managing director of Concept Video, a Wellington firm engaged in television commercial production," Mayne's article said.

Lock said he would rather not comment, but he agreed the Broadcasting Act neither provided for television application forms nor yet included a schedule of requirements for a television warrant. (How did he find that out, we wonder, and for what reason?)

Readers of both Wellington dailies may be cheered to see a good and healthy competition between the two publications, but would have reason to be puzzled about Burnet's going public with a denial in one paper while the other is establishing concept video's third-channel aspirations.

If, as he said, he had no knowledge of any plans within the group to become involved in a third-channel bid, shareholders could feel troubled about INL management's grasp on its own decision-making.

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ROTHMANS made a takeover bids for Cooks Wines last Friday which — if successful — would give the tobacco company about 20 per cent of the New Zealand wine market.

Rothmans' subsidiary, Corbans, has between 12 and 15 per cent of the market, and Cooks has about 7-8 per cent.

The biggest market share is held by Montana with about 27 per cent.

Rothmans' bid for the ordinary shares and convertible debentures, at $2.30 a share, was 50 cents above the current market price of $1.80.

Cooks' directors met on Friday morning and issued a "don't sell" notice. But 50 per cent of the shares in Cooks are held by Marac. And Marac has been trying to divest itself of interests outside the mainstream of its business — finance.

Rothmans may not be the only company interested in taking over Marac's shares in Cooks. TNL previously expressed an interest in Nobilos and rumour has it that it might now be interested in Cooks.

But Marac is not talking, apart from saying that several parties have expressed interest in their shares.

Rothmans' takeover would cost it just over $4 million. It would mean a fat capital gain for Cooks' present shareholders, who would be getting 50 cents over market price for their shares.

But many of Cooks' smaller shareholders have been with the company since the beginning and would likely resist the capital gain in light of the future potential of Cooks in a rapidly growing wine market.

But Marac, with its 50 per cent shareholding, is clearly in the driver's seat.

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ONE of the staff is resigning from her position with the Architectural Division of the Ministry of Works and Development, with effect from March 14, and her colleagues obviously figure the event should not go unobserved.

So they hope to arrange a small function prior to her last day at which recognition of the "tremendous effort she has put in" can be made.

And so a notice has been circulated, advising that if you or your office would like to contribute to the presentation, "this donation will be gratefully accepted. A small function will be held to farewell M. . ., the form of which has yet to be decided, and will to a large extent depend on the response to this note. Invitations to Wellingtonians will be sent out in due course."

If the invitations are sent out as indiscriminately as the note soliciting donations, it should be quite a party.

Our copy of the note was received by someone in the world of private enterprise who had never heard of M . . ., alas, and who was ungracious enough to raise the question of the propriety of public officials using publicly-funded photocopying gear and mail facilities to solicit money from the public.

Without a deeper understanding of M's services to the business community, we must refrain from answering. But we do wonder where this sort of thing will lead to if the idea catches on. After all, there are some 80,000 public servants out there, and they've all got to quit sometime.

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SIR Tom Skinner's impending retirement hangs like a sword of Damocles over the moderates in the Federation of Labour. And the moderates are still scratching their heads wondering to whom to run.

The question of succession may not be a bloodless change from Skinner to FOL Secretary Jim Knox (see story Page 7), despite Skinner's dictum that the new president should be Wellington-based.

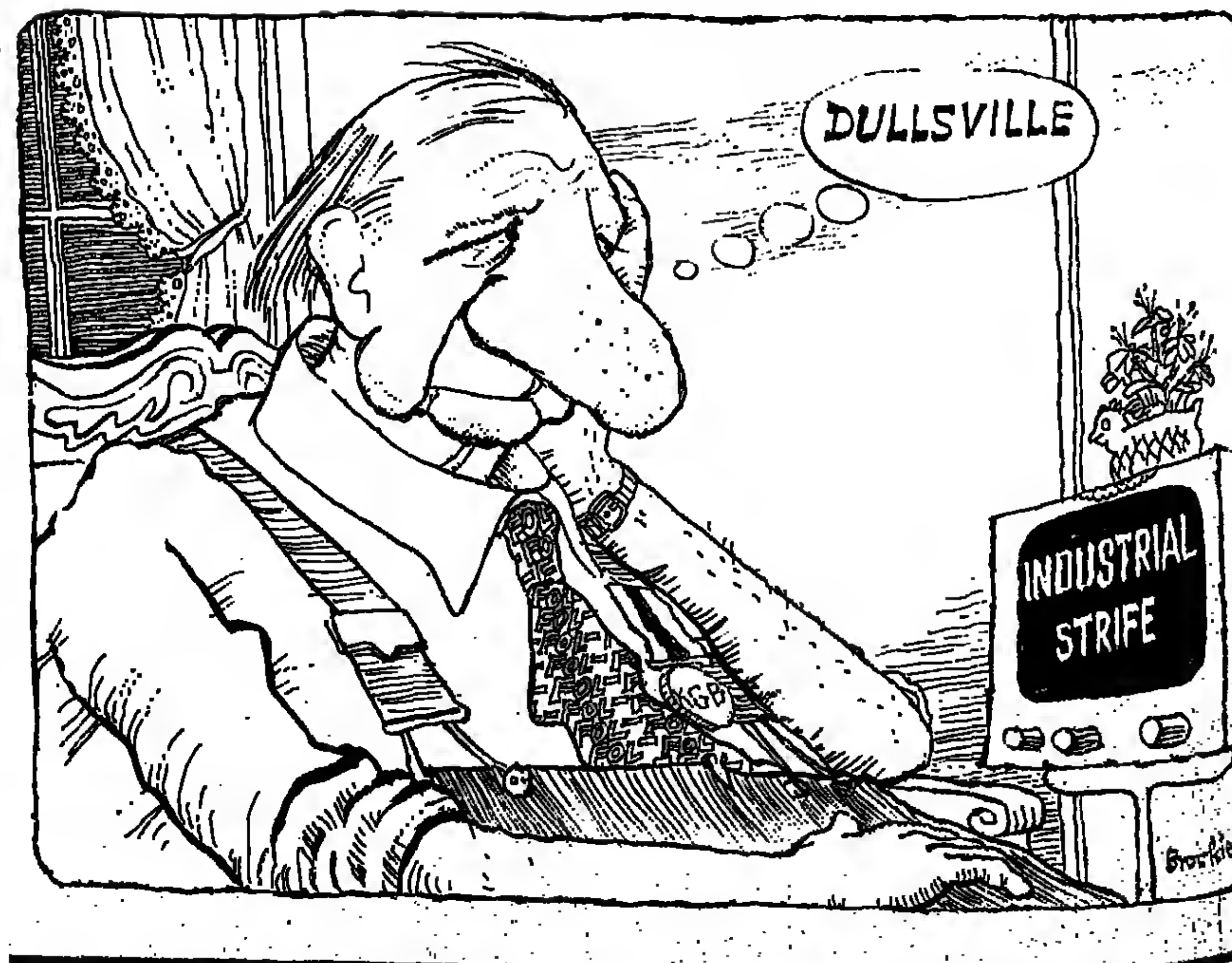
An informed head-count by some FOL executive members shows that SUP's Bill Andersen would get more votes than any other candidate, but falls short of a majority.

This was to be confrontation year for the FOL and part of Andersen's appeal stems from his having been singled out by Rob Muldoon. And Andersen has a big power base in Auckland.

The choice between Knox and the SUP is unlikely to be viewed with much enthusiasm by the moderates — particularly by the younger, better educated unionists who would like to see the FOL improve its public image. And we hear that rather than accept this Hobson's Choice, a deputation of moderates will approach Skinner and ask him to reconsider his retirement — for a year at least.

"Wouldn't we be better off if our money wasn't working for us?"

BROCKIE'S VIEW



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Media get rise out of Air NZ chief

AIR NEW ZEALAND boss Morrie Davis is not known as a man who minces his words when he feels strongly about something.

And in a recent speech to the Auckland Rotary Club — which went strangely unreported in most news media — he opened up on the media themselves, and in an unusual move singled out one reporter for special mention.

Davis said: "We (Air New Zealand) for some reason appear to have collected an enemy in the shape of the newspaper, the Christchurch Press, in particular one of its reporters."

If anyone was in any doubt about the identity of the reporter concerned, Davis went on to name him as Les Bloxham, the Press's travel editor, and commented that while he might be wrong to be suspicious about Bloxham's motives in writing "destructive comment" about the airline, if he (Davis) was wrong then "the alternative consideration of unfortunate amateurism is inevitable".

Bloxham has recently published in the Press and in the Listener bylined articles critical, among other things, of Air New Zealand's approach to cheap fares and its treatment of the South Island.

But it was not Bloxham's excess of parochialism that was upsetting Davis, it was one feature which made the Press's front page lead saying that Air New Zealand had to withdraw from its long haul routes to Singapore, Los Angeles and Hong Kong, and should instead concentrate on being a carrier across the Tasman and in the near Pacific.

Air New Zealand had made no adequate response to media inquiries (both before and after the Bloxham effort) to possible withdrawal from some services as competition overseas hotted up. So Davis's defence of Air New Zealand's expansionist policy made interesting reading.

According to Davis, withdrawing from the longer international services would mean the airline could dispose of four DC-10s at about $100 million, leaving, Davis said, about $50 million in loans still outstanding.

Revenue would be halved from $230 million to the $110 million the airline earns from its services to Australia and Fiji, and overseas exchange earnings would drop from $103 million to less than $50 million.

Staff numbers would more than halve, dropping from 4500 at present to 2000 — and only 1500 if the remaining aircraft were serviced overseas.

Having supposedly scared his audience with those figures, Davis then went on to make two very interesting observations.

First: "Of course what remained of our international operations would not be profitable, and maybe we should dispose of the residue too." Davis said if Air New Zealand were not able to perform adequately internationally, that was an alternative which should be contemplated.

If we take from that remark that Air New Zealand's trans-Tasman operations are unprofitable (the airline has said before it loses money on the Fiji service) then it must be dependent on the long-range routes to make the slim profits it does return on the massive amount of capital it has employed. And that's hardly comforting, given Davis's own comments in the same speech about a tougher international environment in the future.

Second, Davis said he did not believe that the airline could sustain its past policy of confining its operations to the Pacific basin, and still faithfully service New Zealand's requirements.

He added: "The method by which we expand our influence and our operations may not be traditional — it could well be in co-operation with others."

Davis then linked this comment in saying that all those the airline brings to New Zealand must be accommodated, and pointed out that while any choice of new aircraft would need a minimum outlay of $250 million, "there is a need for incentives which will promote the investment of $250 million in tourist plant over the next five years".

Will the airline go into partnership in the hotel business to boost earnings, or does this mean some other kind of investment in the tourist industry's infrastructure somewhere along the line?

Davis didn't say, but the answer should be interesting for pundits, critics, travellers and tourist operators alike.

MORRIE DAVIS . . . opened up on the media.

Galleries

by Peter Cape

Auckland Society of Arts: Members' graphics.
Barry Lett, Auckland: New Year, New Works.
New Vision, Auckland: Toki Aram, painted mandalas.
Waikato Art Museum: Philip O'Sullivan, paintings.
Waikato Art Society, Hamilton: Jim Ayres, paintings.
Manawatu, Palmerston North: David Aitken, photographs. Vivian Smith, paintings and drawings.
Dowse, Lower Hutt: Selwyn Muru, Parihaka paintings.
Antipodes, Wellington: Jeremy de Courcy Low, paintings. Tony Stevens, ceramics.
Victoria University, Wellington: Sara Tun Pascoe, Homage to Paul Olds.
Galerie Legard, Wellington: Bonham, Chilcott, Crook, paintings.
Wellington Settlement: Ifanwy Pugh, paintings, drawings and scraperboard.
Canterbury Society of Arts: Raymond Ansin, paintings; George Kojis, pots; Paul Thompson, photographs.
McDougall, Christchurch: Computer Art.
Dunedin Public: German Theatre posters.

Sweeping changes by new-broom leader unlikely

THE surprise element in Sir Tom Skinner's retirement announcement was bound to inspire controversy. Most of the Federation of Labour's national executive, and the normally adept social fence-hoppers from employer groups, appeared genuinely caught out.

An unconfirmable rumour had national secretary Jim Knox and vice-president Jim Boomer told only minutes before the rest of the executive.

Sophisticated political journalists scoffed at the retirement rumour when it turned up 48 hours before the news was confirmed mid-week.

Which itself leads to speculation. Normally a committed, unabashed and reliable grand-stander, Sir Tom gave his message to the people, before the FOL's national council and via television cameras, in a low-keyed, humble and self-deprecating manner.

After a quick reference to wife and family, he explained that now was as good a time as any to retire — now that the movement had put a few National Party bogeys behind it.

He mentioned a return to free wage bargaining and the slow death of the Government's union ballot programme (and probably had also meant to include trade union success last year in achieving dilutions to punitive industrial legislation). He was reported as looking tired, and repeatedly, as being almost 70.

Nonetheless, commentators reminded themselves briskly that nobody retires more than two years before they need to or they're expected to, without a good reason.

Sir Tom's reason is widely believed to be that now is as good a time as any to allow a suitable, moderate successor to slip in with a minimum of fuss and opposition.

With only two months left until the election at the FOL's annual conference, it is doubtful whether the more left-minded bloc, still a minority, could manage more than token lobbying.

Four years ago this paper reported that Tom Skinner was grooming Jim Knox for stardom. Knox remains a safe prediction, but Sir Tom's tendency then to allow him a fair proportion of the limelight has all but disappeared.

The president has stayed well to the fore while the bogeys, particularly ballots, were dispensed with. Knox has been quiet or, to favour the favourite theory, kept in reserve.

A fair second choice is vice-president Jim Boomer, who has previously been regarded as comfortable where he is, and without great ambition.

The journalists' favourite because he's colourful, a bit pinker and younger, is Wes Cameron from the Canterbury Trades Council. Unexpectedly, but probably for some similar reasons, he is also favoured by a number of National politicians. Significantly, he has support in employers' circles too.

Cameron, though, was elected to the executive only recently, albeit roundly. He is a more likely starter for a stronger bid in five years' time.

A fourth possibility is Ted Thompson, secretary of the Waterside Workers' Federation, and a high flyer in executive elections. But he is not a so-called "Skinner man", in the true sense of the words.

Looking on is the Government, with a new, young Minister of Labour who might fancy a few bouts with someone more sprightly than Knox, or Boomer, but who might not have much say in the matter.

There remain two theories. Skinner has retired in the knowledge that he can count on being replaced by someone to his own liking, and in five years time, won't care. It is inconceivable that he would allow himself to be remembered as the FOL leader whose influence was immediately swept away by a completely new-style broom.

Or Skinner has retired in the knowledge that the Government is in fact planning to introduce some form of wage limiting which would bring with it a long and not glamorous battle he can't count on winning.

SIR TOM SKINNER ... early departure.

Catch 22 of NZ-China trade

Special Correspondent

THERE'S been a lot of trumpeting lately about New Zealand's latest economic miracle — the People's Republic of China.

As that vast land embarks on a course of the "Four Modernisations" (industry, agriculture, defence, and science and technology), so have the New Zealand media and politicians embarked on an equally well-publicised mission to sell China to New Zealand businessmen.

The optimism being felt in official and media circles is probably justified; the People's Republic is certainly setting up warehouse in the international marketplace, and its potential is enormous.

But, as always, there is a catch: the Catch 22 of international trade. Amazingly, New Zealand seems to have taken little notice of this Catch — amazing because on a per capita basis New Zealand is one of the world's largest international traders.

Catch 22 is simple: what goes one way must also come the other. In practice, that means that the Chinese will be bargaining to increase their exports to us as we enlarge our sales to them.

We have already seen this exercise with the Soviets — the Lada car deal in exchange for bulk foodstuffs. And we have even tried it ourselves (remember the fish-for-beef venture with Japan?).

Underlining Chinese moves in this direction will be their presence at Wellington's World Trade Fair in August. The largest exhibition court from overseas will be the People's Republic. The Chinese will be taking about 1000 square metres of floor space. (New Zealand is taking about 2000 square metres.)

The emphasis will be changed too. Previously the Chinese have been content to offer us high volume, low value consumer products and foodstuffs. This year there will be no consumer goods. Instead, the Chinese will be concentrating on heavier plant and equipment for industrial use.

These will include diesel and petrol engines (stationary and marine), pumps, air compressors, textile machinery and accessories, electrical instruments and meters, agricultural machinery tractors, implements and hand tools, and so on.

Chinese officials in New Zealand say they believe there is a market here for machine tools, engines, hand tools and possibly tractors. In fact, they say, some New Zealand companies have already shown an interest in the tractors.

So, just as our exports to China are changing from the traditional commodities like timber and dairy produce, the Chinese are looking to diversify their interests in New Zealand.

Said one embassy source: "We like to trade with anyone. If New Zealand can offer the things we need and is competitive, we would like to trade with you."

Fair enough; but New Zealand can expect increasing pressure to assure a reasonable balance of trade.

A hint of New Zealand trade patterns in the next 20 years can be garnered from the space bookings for this year's World Trade Fair in Wellington.

Asian countries provide by far the biggest contingent of overseas nations trying to sell goods to this country. China is the largest with 1000 square metres, followed by South Korea (700 square metres), the ASEAN nations (500 square metres) and Japan (300 square metres). Together, Asian countries will be taking up some 2500 square metres of display space.

Western European nations have booked 1800 square metres and East European countries have ordered just under 900 square metres.

A people problem

MAY a labourer on special work express an opinion on the real problem in New Zealand today? The press and politicians say it is economic, but surely it's a people problem, a management problem.

When a management decision has to be made, is the prime consideration something the workers can easily understand, like the long-term interest of the company for instance? No, it's more likely to be what suits the manager's ego, and how he appears or thinks he will appear to his superiors.

Business activity is slack at the moment, surely an opportunity to go through the whole organisation to see that every form or return is necessary: every secretary needed, or is it prestige; every cost examined, so that when business picks up the company is in fine shape to take advantage. But it doesn't seem to be happening. True, some unskilled people have been thrown out, but to bear well a fruit tree has to have its top pruned regularly, not hacked at the base.

Lip service is paid to skilled men getting the right margins of pay. My youngest son, a skilled worker, gets an hourly rate 83 per cent higher than mine as unskilled. Some years ago I worked at a place where all the workers got there ¼ hour to 20 minutes early and went straight to work; smokos were taken reluctantly; men worked right up to the whistle for quitting time and then cleaned up — an employers' paradise? No, all skilled, semi-skilled and unskilled people got the same pay in their teams, we all knew we were dependent on the other teams, and no-one wanted to look as if he was dragging his feet to his mates.

I remember working at a job (nursing) where pay was poor but morale was high and a strike unthinkable. Not long after that, I worked in a car-making factory where hardly a week passed without one section or other coming out on unofficial strike, yet pay was good. The difference was in the way we were treated.

The Tongariro project goes smoothly: the Kawerau expansion is a load of problems, the Auckland harbour bridge (Nippon clipon) goes smoothly; Mangere bridge is a problem. Of course the unions are blamed, but that is only a get-out. In many cases, the same person has worked on both jobs.

When a supervisor is selected, he is often not trained for the job. It doesn't matter much, as the main concern of the manager is to pick a man of stronger personality than the union representative. Trade unions are realists and quickly change a person if he doesn't perform. I remember at a union election there were two candidates, one a communist, the other was probably right-wing — and he won. The communist got few votes, but when this young man went up to negotiate for us, the manager was either awoy or unavailable. It was soon obvious that despite his sincerity he was being played with. He realised it too, and packed the job in and we had a communist shop steward. Not having had a strike for 27 years, the company must have thought we wouldn't come out on strike when he threatened, but we did, for five days. The company would probably have given way sooner, but they have to watch out for their fellow federation members.

Some people seem to think that if unions were voluntary, there would be fewer strikes; they are living in a dream world. The left-wingers will always attend union meetings. If the rest don't bother, a minority view prevails. What happens if it comes to a show-down? What does the mass do? That's easily answered: it goes with the union, after all, what other support has it?

It has been suggested that the workers' award should be like a contract and have penalties. The American worker has a system like that, but his union contribution is usually about one hour's pay per week, giving the union leaders big funds to invest to pay strike-pay and employ skilled negotiators. Their law says that negotiations must be free and fair, all questions answered, nothing held back. The company must open its books and discuss future plans. Big changes in the law are necessary here, big changes in management thinking too.

Like most workers, I vote Labour. I don't give a damn who owns the organisation, what matters is that it's well run, the workers are well-treated, and the consumer gets a fair go. Why all the fuss about profit; hospitals, and other Government bodies don't run at a profit. We need a better yardstick to see that all organisations are well run. I don't see any difference between a pay increase not matched with increased productivity, and an increased profit that has come from increased selling prices and not increased efficiency of management.

The rich get richer and the poor get poorer. If the poor were to get more money they would spend it on food, clothing, furniture and so on, all home produced. But it's the rich who get more, and they spend it on overseas travel, cars, colour television, fine china and so on, all imported — hence a balance of payments problem.

Inflation hurts the worker most; his pay falls behind and he gets blamed for all the nation's economic problems as he tries to catch up. But how comfortable it is for a chairman to announce higher profits and dividends — out of higher selling prices of course. Not very long ago, wage increases of 6-7 per cent were supposed to be inflationary, yet we have recently had wage increases of 8-10 per cent and the rate of inflation is coming down.

There is no doubt, in my mind, that New Zealand's problem is the low level of management competence, or to put it another way, the penalty for poor management is not severe enough. It's the rate of increase of productivity that matters.

Bill Langford,
Ruahaka, Northland.

LETTERS

Fulsome praise

YOUR issue of February 14 carries the headline "Ferry godfather spoke too soon" in reporting a comment by the Minister for Transport, Colin McLachlan, concerning the record number of passengers and vehicles carried across Cook Strait by the Railways Department during the peak holiday season.

Your article reads, and I quote, "Just a few days earlier he had been fulsome in his praise of the performance of the Railways Department" etc.

Did you mean that his praise had been "offensive or disgusting," or did you intend to mean that his praise was "offensive because of insincerity or baseness of motive?" Or is it that whoever wrote the article does not know the meaning of the word "fulsome"—

If my Webster's Dictionary is correct, then the Minister would have reason to be upset by your report.

MHC Lees,
Auckland

Our Concise Oxford gives the meaning of fulsome as: cloying, excessive, disgusting by excess (of flattery, servility, exaggerated affection). — Editor.

Dairy Board gives milk market a shakeup

by Belinda Gillespie

INDIVIDUAL processors of town milk have been trying for years to win permission to sell flavoured milk in cartons. They can be forgiven if they now feel piqued about the Dairy Board's intrusion into the market.

The Dairy Board, ostensibly permitted a licence for a plant to manufacture an export product, will enter the domestic market with an attractive flavoured product not legally defined as milk. But it is bound to make waves on the home front.

The Dairy Board will release its flavoured milk on the New Zealand market later this year.

The board declines to discuss prices. But according to an unconfirmed report, cartons would cost 30 cents for 250 ml, and 60 cents for 500 ml.

The final price will certainly be comparable with that of other packaged, flavoured drinks, rather than bottled milk.

The board has been granted a licence to import the necessary Swedish plant and cartons because of the export potential of the product.

Although plain and flavoured milk are the products now under consideration, the plant has the potential for packaging other milk based goodies such as baby foods and whipping cream.

The milk will be produced at Takanini and marketed initially in the Auckland area.

The exercise is planned primarily as an export venture, but the existence of the local market will help build up export trade and give a chance to develop both product and expertise.

The milk will be subjected to "ultra heat treatment", which heats it to a very high temperature. The milk is sterilised without losing flavour or nutritive value.

Previously the board exported the components of UHT milk — fat and milk powder — to plants abroad. The new export will be the milk itself in an attractive cardboard and foil brick pack.

UHT milk has a shelf-life of many months and needs no refrigeration until after it is opened. The advantages to the Pacific and South-east Asian markets are obvious, and there are already several competitors in the field from Australia and elsewhere.

The advantages to the domestic market are less obvious, but considerable. The Dairy Board will be selling its product in retail outlets in competition with Coke and so on.

When milk doubled its price back in 1976, Rob Muldoon appeared on prime-time television with a bottle of milk in one hand, and a bottle of pop in the other, figuratively speaking.

If people could afford Coke, he reasoned, they could afford milk.

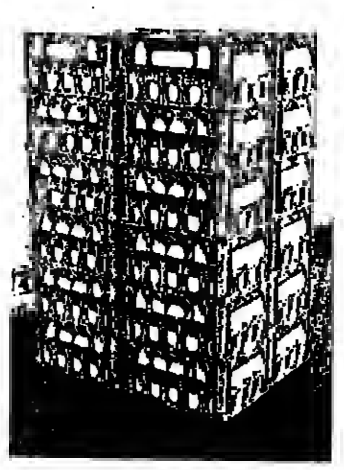
Milk Board research has shown that milk has a wholesome, nurturing image associated with farms and motherhood. The comparison with soft drink, even to justify a price hike of 100 per cent, was spurious and crass. Nor did it help milk sales.

Complete removal of the milk subsidy will bring the price of milk up to 18c for 600ml. The question is not whether this will be done, but when.

Sales of milk dropped drastically after the last big price rise, and have never recovered.

The town milk industry would like to see the next price rise occur in a series of two cent steps taking place at six month intervals. Another radical increase, it is felt, could cause the bottom to drop out of an industry already beset with popularity problems.

But there is an uneasy feeling in the industry that the Government will go the whole hog and virtually double the milk price along with the post-election package of power, bread and other essentials.



It will have keeping qualities, transportability and an attractive pack similar to flavoured drinks, but the high-food-value status which goes with milk, whose short shelf life and cumbersome container have always limited sales.

Graham McPherson, giving the Milk Board point of view, says he doubts that flavoured UHT milk will make inroads on the domestic milk market.

Flavoured milk "is outside the meaning of the Milk Act". Under New Zealand law, adding extraneous substances to milk turns it into something else.

The Milk Board, therefore, declares itself unconcerned by the advent of the new, glossy product.

Individual milk treatment stations, however, from time to time have produced flavoured, fresh chocolate milks which have been successful on the local markets.

People already flavour their own milk at home, McPherson pointed out. Whether the Dairy Board product will affect the market for bottled milk is an unknown quantity.

Dick Roberts, general manager of the Hutt Milk Corporation, says he believes the key to the market for flavoured milk is the convenient carton pack. The Swedish "tetrapak" cartons which the Dairy Board will use are made of laminate — foil layered between cardboard — a material necessary for the UHT process. Town milk suppliers who want to package fresh flavoured milk require only a straight cardboard container.

Since 1970, Roberts has been trying to get a cartoning plant for fresh flavoured milk established in New Zealand. Initially the Government would not grant import licences for a continued supply of the cartons, at present manufactured in Melbourne from imported American board. A move to import a machine to stamp out the cardboard blanks was also thwarted because of the need to import the American cardboard, as none suitable is made here. Now New Zealand Forest Products is testing a board which it has produced, and which seems to meet the industry's requirements. If suitable, it will be used to make the cartons in Melbourne, though eventually it is hoped that UEB will make them here.

Without appropriate containers, town milk suppliers can't compete with the sophisticated Dairy Board product, despite the modest local successes of bottled flavoured milk. Competition is possible only if local suppliers have access to cartons and can make daily supplies of flavoured but perishable milk in the convenience pack which meets modern consumer demand.

Admen cross with TV changes

BROADCASTING chairman Ian Cross's announcement that Television One and South Pacific Television channels are to be horizontally structured has left many advertising men correspondingly flattened. Reactions range from the guardedly optimistic to something approaching despair.

The official advertising organisations have expressed approval for the reasons behind the re-organisation. But they are mildly apprehensive regarding future methods of packaging time for sale.

Asked by Admark how the Association of Accredited Advertising Agents viewed the proposed changes, the president, Jack Ilott, replied: "Until we see a firm outline of the proposed new administration for selling advertising on both channels, there is nothing in particular to comment on.

"In general, however, our association would applaud any move which, in the national interest, achieves efficient rationalism of services with ultimate cost economies and improved programming.

"It is possible we will come to regret the absence of competition for advertising which currently exists and which is a spur to innovative ideas. There will certainly be need for a judicious use of the monopolistic power that the new order will bring about."

John Curry, vice-president of the Association of New Zealand Advertisers, said his association saw the objectives behind the rationalisation as in the interests of the public and advertisers. But he was apprehensive that "a rise in rates may no longer be based on audience shares".

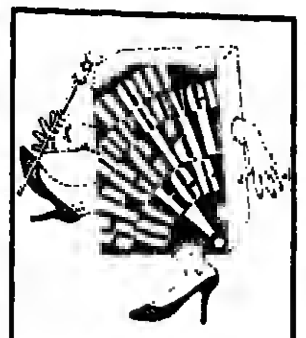
He said he hoped there would be no loss of advertising flexibility and was concerned "that the advertiser may lose the opportunity to place advertising where it will be most effective and finish up with a programme that does not suit his needs".

In a television interview following the announcement, Cross saw he personally favoured a reduction in the volume of advertising on TV. Questioned on the effect of this on advertising revenue, his curiously-worded reply suggested that increased rates

IAN CROSS . . . in favour of reduction in advertising volume.

would compensate for lower volume.

Admark set out to elicit agency opinion on the possible effects of administrative changes which would mean that time for both channels would be sold by the same department. We talked to agency directors and principals who for obvious reasons prefer to remain anonymous.



ADMARK

One agency director said he was afraid that the lack of competition between the channels would lead to a revised rate system and loss of buying options.

"At present agencies can select their time zone, day of week and programme," he said. "The selections are based on a whole technique of sophisticated network planning which may go by the board overnight.

"It may be that agencies will no longer have the freedom to nominate the required placements and time may merely be allocated. These are our fears."

A second agency director expressed concern about the effects of Cross's ideas on programme innovations.

Cross had stated that the changes would make it possible to meet BCNZ objectives which included catering to minority and cultural audiences at more suitable times than is usually possible at present and fulfilling the social, cultural and educational potential of television.

"Television is a medium with the broadest possible appeal," said the director. "Taking a night at random, February 7 saw two-thirds of Auckland homes viewing television. Cross is looking for the opportunity to allow programmes of limited appeal for minority or cultural audiences. If these are scheduled in peak time, the result will be a reduction in total audience which means loss of selling power as far as advertising is concerned. And because the viewer has less opportunity to look at the programmes he wants to see, he's getting less value for his licence fee."

Cross's veiled reference to reducing the volume of advertising but selling it at a higher price, the director argued, had little reference to the supply and demand position. Advertising would still have to reach people at an economic rate. Otherwise money would go out of TV.

"One factor worth remembering," he concluded, "is that when two channels compete for revenue, the result is an increase in total revenue, as it is in any competitive marketing situation. But if competition no longer exists and audiences drop, the future TV revenue picture may not be so rosy."

The spokesman for a third agency — its chief executive — was more sanguine. "The plan makes quite a bit of sense, calling as it does for a more efficient use of resources," he said.

"Whether the economies made possible will be passed on to the advertiser remains to be seen.

"I'm not at all sure — especially as some steep rate increases in the past have not been justified by either added audiences or inflation pressures. In fact, advertising has been asked to subsidise the costs of two-channel establishment."

With regard to the situation of minority audiences, he said he thought it possible that integrated selling could come up with deals for time on both channels that would remove the imbalance. While there would be monopoly selling, competition had been unhealthy in a number of ways. Some deals offered had been of questionable value.

The main danger of monopoly was the development of a take-it-or-leave-it attitude.

He summed up: "Overall I think the new proposals will improve programmes, spread the spectrum of TV viewing and improve TV as an advertising medium."

"A very sad affair," was the contrary opinion expressed by the manager of a fourth agency.

"It's a negative move," he said. "TV loses a lot of its appeal from the point of view of planning and the ability to reach audiences. To take the competitive nature out of programming takes the heart and soul out of advertising."

He contended that reducing the amount of advertising time would make TV advertising less attractive. A tight situation with a pinch in time availability in key zones would evolve.

TV still had to stay competitive, and he said he could see a great opportunity for competition from colour magazines. Present magazines would have to be stepped up and others introduced. "We could then reach the situation, as in Australia, where it is possible to mount a highly successful campaign in colour print media without recourse to TV."

The chief executive of a fifth agency took a philosophic stance. "From the public and social points of view, it is easy to see the logic of running the two organisations in tandem," he said.

"Probably something like this had to be done as a compromise, dictated by the size of the country. Nevertheless, any reduction in the competitive edge is going to uncover some problems. Something will be lost in eliminating the identities of the two channels.

"Listeners have certain loyalties. So do the people and personalities who make up a TV channel. What motivates them now?

"Similarly, will the combined advertising department have the same motivation to sell as they had when in competition? We had a really competitive situation with TV2 becoming a force in its own right. Let's hope that the selling of advertising won't drift back to the old monopolistic rut."

He also sounded the warning that TV will still have to deliver audiences on a cost-efficiency basis or else surrender to other media.

"And, incidentally," he said, "I imagine other media are welcoming this move."

So the message is clear. The great TV honeymoon is over.

Although Ian Cross may deplore the numbers game as a means of assessing the popularity of TV programmes, advertisers will still be counting viewers in terms of target markets.

Television will not command premium rates due to scarcity value alone. It will still be required to perform by delivering prospective customers at costs at least comparable with alternative media — under the proposed new system, or any other.

Retail big agency business

AN account in our February 14 issue of the argument between Woolworth's and the Newspaper Publishers Association on the payment of commission to agencies on retail advertising recalls that retail is big agency business in such countries as Australia, Britain, and the United States, where commission problems apparently do not arise.

We are reminded of this through a report released by Harold Austad, chairman of J Ilott, concerning its American associate agency, Ted Bates.

Bates' worldwide billings now exceed the magic billion dollar mark, no doubt assisted by recent acquisitions of large United States agencies. The latest of these is Sawdon and Bess, a New York agency specialising in national and regional retail advertising.

In 1978, its billings exceeded $30 million, which makes the retail business pretty interesting.

Ilott, which handles a number of retail accounts here, will no doubt be interested to avail itself of the share-out of expertise from this source — a standard procedure with multi-national agencies.

CNG finds favour with Energy Minister

by Rae Mazengarb

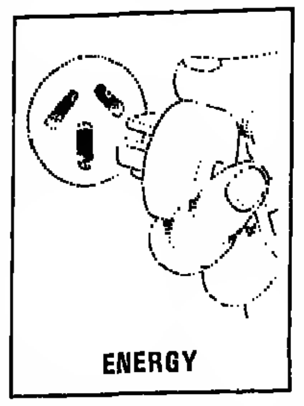
MAJOR Government decisions on the use of Maui gas alternatives to expensive imported fuels are expected next month. But already it is clear that now Energy Minister Bill Birch is sold on the idea of using compressed natural gas (CNG) in the Government vehicle fleet.

An optimistic report of a compressed natural gas (CNG) specialist is said to be circulating among Government officials, and is expected to be released soon by the New Zealand Energy Research and Development Committee.

Early indications are that CNG could be used to fuel several hundred thousand vehicles now in use, close to existing reticulated supply.

Suggesting this possibility last week, Birch said: "A better than 40 per cent reduction in present petrol use could be achieved by such a development with a correspondingly large saving of overseas funds."

But use of CNG is not without its critics. Those with experience in LPG point to the limited vehicle range per tank of CNG compared with that of LPG. They say the life of an equivalent 3.5 gallon tank is at



the most 200 kms, whereas the same sized tank of LPG will last double that distance.

But energy specialists agree that urgent Government attention to alternative fuel possibilities is necessary.

At last week's Gas Industry Conference in Wanganui, Birch outlined to some 200 delegates the gravity of the world fuel supply situation.

The drop in world oil supplies had caused BP International — the largest supplier to New Zealand of petroleum products — to declare a force majeure on its term contracts, of the order of 45 per cent.

"The effect of the force majeure on our stocks is that we can no longer be certain that all those companies suffering forced reductions will be able to supply at or near OPEC prices during the second quarter," Birch said.

Some companies might be forced on to the "spot" markets where prices are as much as 50 per cent above OPEC prices. The effect of paying such high prices, Birch said, would be damaging to our balance of payments and to our fight against inflation. About 15 per cent of our total oil imports were at risk in the second quarter, and hence the Government would need to make an early decision on demand restraint measures.

Against this background Birch emphasised the need to grasp "every practicable opportunity for switching from dependence on oil".

South Island industrialists

BILL BIRCH . . . sold on CNG.

and gas men — who have been lobbying for adequate gas supplies — have been quick to grasp the importance of CNG to their case for a Cook Strait submarine gas line.

They say CNG could be taken at any point along the line for automotive use, while the raw feedstock can be used to develop a highly economic industrial and domestic market.

Already some four companies and local authority gas distributors are operating commercial vehicles and cars on CNG. One taxi company is in the process of converting its fleet.

Private sector interests are so great that two overseas trips are planned to evaluate Italian and American technology in vehicle conversion kits which currently range in price from $800 to $1200.

A big factor in favour of CNG for transport use lies in the fact that more Maui gas would be used, which in turn would mean a greater production of condensate for the Marsden refinery.

But like most substitute fuels, CNG raises questions of distribution, modification to the motor vehicle, and cost versus benefits to the motorist and the nation, said Birch.

A feasibility study into the wholesale conversion of 70,000 vehicles has been completed and is in Government hands.

Gas men air cable grievance

TWO hundred gas men cheered out-going Gas Association of New Zealand president Bill Whitney at their conference last week when he called for a united front in moves to reticulate Maui gas to the South Island.

Whitney said local authorities and manufacturers in both Islands had contributed to a feasibility study which would look at all aspects of the long-term economic advantages of South Island reticulation.

Speaking of the South Island as "the disadvantaged area of New Zealand", Whitney referred to the "brooding resentment" of the South Island gas industry.

"They are the have-nots. They do not have natural gas," he said.

The Gas Association's strenuous efforts to interest the Government in investigating the reticulation of natural gas to the South Island, had been met by a negative response.

"Surely there is a pressing need to do this, especially as the projected demand for Maui gas for electricity generation has fallen away," Whitney said.

Whitney, questioned later, said that members had had "innumerable discussions" with former Energy Minister Gair over a period of some three years on the need to look seriously at the possibility of a Cook Strait cable, but the Government had taken no action.

He announced that the association itself would conduct its own "broad brush" study on the feasibility of pipelining Maui gas to the South Island. The terms of reference for the exercise included the merits of the scheme in the New Zealand national case.

It is understood about half the North Island gas undertakings support the study.

In his address to the conference, Energy Minister Birch referred to the study.

"We have of course done some arithmetic of our own, but I would be most interested to assess your own study to completion," Birch said.

"I accept the need to overcome as far as practicable the imbalance resulting from the present absence of natural gas in the South Island."

Whitney said he expected the study to be completed within six months, when it would be presented to the Minister.

Asked the possible cost of a pipeline to the South Island, he said $150 million would be a rough figure.

Critics are quick to point out that the $150 million gas cable will be carrying gas to a small market; that the current industrial and domestic market in the south is equivalent to just half of that of the Hutt Valley Electric Power and Gas Board. They add that this is without taking account of the tremendous engineering difficulties of getting the pipeline through unstable country in the North East of the South Island.

But Whitney argues that Maui gas should be viewed as a national resource — similar to the attitudes taken with hydroelectricity.

"No-one would think of denying electricity supplies to a community because such a supply was uneconomic when costed in isolation to the electricity system as a whole," he told the conference.

Budgetary blunder: beware the boffins

by Spiro Zavos

BEFORE the last Federal Budget in Australia, the Treasury boffins came up to Prime Minister Malcolm Fraser with a good idea: why not reduce the amount the ordinary man in the street paid in Medibank and put additional imposts on liquor coming into the country?

The beauty of the idea was that the pluses and the minus, according to Treasury figures, would just about even out, with an additional advantage: the Medibank payment was a direct cost within the cost-of-living index; the liquor impost was not. Thus, if the scheme were successful, the Government would not lose any revenue but the all-important inflation figure would have a deflationary factor put into it.

It was widely rumoured in Australia that Fraser was going around his traps telling people that because of the budgetary sleight of hand the December index could be below 2 per cent.

The figure was in fact 2.3 per cent. This was much higher than anticipated, and made a mockery of the Budget prediction of a yearly inflation rate of around 5 per cent.

What went wrong?

The Treasury boffins got their sums wrong. Instead of the manoeuvre being a deflationary tactic, it actually created its own inflationary momentum. Without the trickery, the inflation rate might well have been the 2 per cent Fraser wanted to achieve.

What this shows is that boffinry is something to be careful of, even when it comes dressed up looking ever so presentable.

The level of understanding of economics is high in Australia. All the major newspapers have their economics writer, as opposed to a financial writer. Thus, papers like The Age and The Sydney Morning Herald are able, through their economics experts, to work out for their readers what the latest figures really mean and why a certain result was

reached.

After the December figure was announced, the experts were able to unscramble it. They argued that it was not as bad as it looked, and that if the economy were left alone by the boffins it could recover to something near to a boom. But this will not take place (the boom, not the no-hands from the boffins — that might never come) for a couple of years.

The most encouraging sign of revitalisation of the economy came the day after the cost-of-living index was announced. This was the index which showed that retail selling was booming. So much of Australia's economy revolves around retail sales that it was hardly surprising that Fraser seized upon the news to predict that the light was definitely there at the end of the tunnel.

It is an unlikely light as far as half a million Australians are concerned. These are the people currently on the unemployed lists. Their chances of getting jobs are minimal, with hardly a job to be had. Moreover, the figure does not include teenagers who have left school but have not because they could not find a job. A photo in a Sunday paper showed a class in one of the Sydney schools in the suburbs with their hands in the air. They had been asked by the journalist to raise their hands if they had gone back to school only because they couldn't get a job.

One has to feel sorry for these young Australians who face such a bleak future. Sorry and frightened, for as Carl Sandburg once said, "the slums will have their revenge". An affluent country like Australia cannot expect this generation of young people to submit tamely to a futureless future.

The Fraser argument is that once the inflation rate is down then the prime condition for a healthy society will be put in place. He looks to a period in the 1980s that repeats the Menzies era with low inflation rates and low unemployment rates.

But this is a vision or a mirage for the future. What of the present? Needless to say, there have been any number of suggestions from experts and not-so-experts. One suggestion that has merited some attention came from a former economic adviser to the Commonwealth Bank, K Shiels. Shiels proposes a tax on "computers and other machines that create unemployment". He would allow exemption from the tax for all machines which could be shown to increase production and employment, so he is not a total modern-day Luddite.

The idea of taxing machines rather than people (like the payroll tax) has attracted some favourable comment. But the most likely reaction of Australian businessmen to such a tax would be to send their computer processing offshore, perhaps to New Zealand or Singapore. Then, too, Australia would be left behind in the race to automate, something its already over-protected manufacturing sector could ill-afford to let happen.

It was Fraser himself who once put it best: "Life was not meant to be easy."

Lower subsidies to help reduce expenditure?

onomics Correspondent

THE ECONOMY

THE Government mey have reduced taxes last October, but it seems unlikely that its revenue will decline. What the Government isn't taking in taxes, it is taking by increasing the charges of public services. Taxpayers' pocketbooks will also feel the effect of the Government's following policy to reduce subsidies.

Last week, for example, bread prices rose by two cents a 750-gram loaf. Three weeks ago, bread prices rose one cent.

These price increases, according to the Department of Trade and Industry, are the result of a $35 a tonne rise in the price of flour. Instead of absorbing this cost increase with a subsidy, the Government has allowed it to be passed on to the consumer in the form of price increases on bread.

Of course, the prices of other goods including flour as an ingredient will also rise.

While the Labour Government was in office, bread was subsidised. Around $5 million a year was spent in both 1974-75 and 1975-76 to subsidise bread prices.

The social welfare-conscious Labour Government also applied price subsidies to eggs, meat, milk, sugar, wool, coal and gas. It was the stated intention of these subsidies to hold inflation in line and to make it easier for low income households to obtein essential foodstuffs.

Now the mein subsidy which remains is for milk. In 1977-78, nearly $42 million went to stabilise the price of milk. And the milk price still rose.

This yeer, the milk price of 10 cents e pint is substantially ebove the price of 4 cents charged between 1935 (when the subsidy was introduced by the first Lebour Government) and 1976 when the price of milk was first increased by this Government. Even et 10 cents e pint, it is likely that the Government will spend more than $50 million this year subsidising the milk price. Or to put it enother wey, the Government is seving every man, woman and child in New Zeelend neerly $17 e year on the price of milk.

Butter end sugar prices are also subsidised.

More than $6 million was spent to subsidise butter in 1977-78. This amount is the difference between the local price of butter and what the producers could get selling the butter overseas and is paid into the Butter Equilisation Account.

Because of price fluctuations overseas, this account is intended to be self-balancing, but in recent years it has not been.

The subsidy towards liquidation of the overdraft in the Sugar Price Stabilisation Account was $4.5 million.

A subsidy is an expenditure by Government designed to make the price of a good or service less than the market price. Subsidies may take the form of either direct payments to producers and vendors or may be the differential between the buying and selling prices of government trading organisations.

Often a subsidy is intended to be applied as an instrument of social welfare policy to influence the choice between certain goods. For example, it is hoped that by keeping the price of milk down, low-income households will choose to consume milk rether than a more expensive item like beer. Subsidies can be contrasted with transfer payments (such as social security benefits) which are intended to provide e household with extra purchasing power.

With e transfer peyment, a household can make its own choices ebout where the money is spent.

In New Zealand, two entirely different "subsidies" are often grouped together because they are both sometimes introduced as stabilisation measures intended to smooth fluctuations in prices or incomes. Subsidies on essential commodities and subsidies to Government departments so that services can be offered at a below cost price act to stabilise prices.

Subsidies to fermers are really intended to help stabilise farm incomes and to encourage farm production.

The overall cost of direct subsidies on essential commodities was eround $55 million in 1977-78. New Zealend's 45,000 fermers received $67 million in various egriculture subsidies.

This year, direct subsidies on essential commodities are expected to reach more than $65 million. Fermers will receive more than $166 million, or e little less than $4000 each.

If the Government is looking for waye to cut beck its expenditure, reducing subsidies mey be e good idea. Two arguments ageinst reducing subsidies are usually given. One is that by keeping down prices of essential foodstuffs, the Government protects the household from the effects if inflation.

The second ergument is that subsidies ere a way of insuring that low income femilies cen obtein essential goods.

Subsidised items ere included in the consumers' price index. A direct subsidy will reduce the level of prices recorded in the surveys which go into the calculation of the monthly index. But the effect on the index of milk, butter, flour and suger subsidies is probably small.

Items such es meat, fruit and vegetables heve more mejor effect on the index. So, at leest for the method used to measure inflation, the removel of direct subsidies would not greatly increase the infletion rate.

Low-income families benefit from subsidies like any other femily. Subsidies on essential items ere allocated universelly without eny discrimination. The benefit of the subsidy is availeble to everyone, no matter whet income they earn or wealth they hold.

But it is the higher-income femilies which get the greatest direct benefit, because they cen efford to spend more to buy thet extra pint of milk or 500 grams of butter. The Household Sample Survey of consumer expenditure shows thet the emount of subsidised products consumed increases with the level of household income.

If the Government really wants to benefit low income families, it could probebly do so more efficiently and et less cost. By increesing transfer peyments or meking coupons eveilable to those below e certein income threshold (defined by policy mekers to be the line between poverty and sustenence incomes) the Government could reduce the cost of direct food subsidies end et the same time meke it eesier for those defined to be needy to obtain necessities.

Although it mekes sense in distributionel terms to provide subsidies only to those who need them, the producer must elso be considered.

If milk prices were left free to rise to their netural market level, chances ere thet the demand for milk would fall. At 10 cents a pint, the everege consumer probebly never thinks ebout the cost of that extre pint of milk for cooking, or for the dog. He might if milk went up to 30 cents e pint or more.

If demand for subsidised items were to fall, both the distributors end the producers of those items could be hurt. In the case of some items such as butter, the stock of unsold product would grow.

With the Dairy Boerd's already lerge stocks of dairy products, the Government mey be reluctant to completely do ewey with subsidies on milk and butter. But its interest here is not to benefit low income families or reduce infletion. Its interest is to keep the price et e level where domestic demand for milk and butter remeins ebout the seme.

Generelly, the Government's policy to reduce its expenditure by graduelly reducing subsidies is e good one. But, es with increases in user charges for services such es energy, when the Government is reducing subsidies it is hurting the texpeyer's pocketbook.

When the Government reduced texes lest October before the election, we were not told that we would end up paying for Government in some other wey. But is enyone reelly surprised?

How to bring NZ trade out of its protectionist hothouse

by Werren Berryman

THE time is ripe for a fundamental overhaul of the New Zealand economy. The question is no longer what must be done — but how can this Government, or any New Zealand Government, initiate painful changes and remain in office.

Long-range planning desired by academic economists is difficult to implement here, with elections coming at three-yearly intervals.

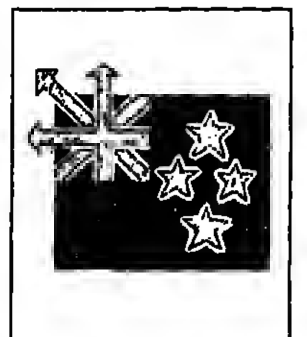
The World Bank, IMF, GATT, OECD, Federated Farmers, the Planning Council, and at least one Treasury official, have called on the Government to free up the economy and liberalise import controls.

But none of these bodies seems to have provided the Government with a nuts and bolts blueprint on how these desirable ends might be achieved.

With elections never more than three years off, the trick is to break the eggs and make a politically acceptable omelet before the next election catches the Government with egg on its face.

But the political climate has seldom been more conducive to change. Even words like "competition" (which has traditionally been preceded by the pejorative "cut-throat") have lost their sting. Consumers are now less likely to accept as gospel the old truism that "open slather" is not in their best interests.

The high priests of the economy have been publicly sharpening their knives for the sacred cows grown fat on protectionism, licensed industry, Government-granted monopoly and import licences.



OVERSEAS TRADE

But the axe-man's hand is stayed, waiting the order from Rob Muldoon.

Like T S Eliot's J Alfred Prufrock, Muldoon is faced with that overwhelming question, and must be wondering, "Do I dare?"

Like Prufrock, Muldoon is no Hamlet to want to make rash decisions that might end in chaos.

He may or may not accept the above-mentioned economists' proposed goals as desirable. But between the goal and the implementation falls the shadow of political expediency, as it should in any democratic state.

The purpose of this article is to isolate just one of the proposed reforms, abolition of import licensing and liberalisation of our protectionist policy, and explore a means of implementing a policy whereby the advantages are not outweighed by the disruptive effects.

As a starting point let us suppose the Government announced its intention to liberalise trade along the following lines:

• An immediate abolition of import licensing, coupled with:

• An increase in the tariff levels of the items taken off import licence that would afford manufacturers the same level of protection they previously enjoyed;

• Announce that from year two of the scheme, all tariffs would be cut by 10 per cent a year for the following 10 years, ending in free trade.

The disruptive effect would be spread over a 10-year period, during which time there would be a steady but inexorable pressure on industry to adjust, to drop lines that were not export competitive, and to concentrate on lines that could compete in the world market.

The obvious defect of this scheme is that these 10 years span three successive governments. To work, the scheme would have to be sold to the public so that it wo[uld] take the form of a nati[onal] goal, transcending p[arty] politics.

Given the present clim[ate] this might not be the i[m]possible dream it seems.

The Government would [have] to be far more frank than [it is] at present. Long-ra[nge] planning, and the commit[ment] to invest in restructuring [in]dustry, can take place on[ly in] a climate of rational [ex]pectations. Industry will [need] to know that the rules o[f the] game on which they base [their] plans, and risk their mo[ney] will not be arbitrarily [and] capriciously changed.

Likewise, organised lab[our] and the public at large [will] have to be sold. While [free] trade means cheaper goo[ds for] the consumer and gr[eater] wage-buying power, it [also] threatens job security i[n] protected industries — in [the] short term at least.

Selling the idea has alr[eady] begun. A host of econ[omic] studies has consiste[ntly] concluded that count[ries] adopting a free trade p[olicy] have outperformed in[ward] looking countries like [New] Zealand.

Even small countries, l[ike] New Zealand, with a s[mall] domestic market, few n[atural] resources, and s[...] reliance on imported [...] have succeeded [...] adoption of free trade p[olicies] where we have failed. [...] the staggering export p[er]formance of Singapore, [...] and Taiwan.

New Zealand's percent[age] growth of GNP is the lowe[st of] industrialised countri[es] export growth is [...] lowest. Productivity has [...] to zero. Consensus among [the] above-mentioned econ[omists] is that New Zeal[and's] protectionism, which is [...] times higher than the aver[age] for all industrialised countr[ies] is the prime cause of a[...] woe.

New Zealand's hot[house] protectionism fosters [...] growth of inefficient ind[ustry] geared to a captive dom[estic] market at the expense o[f ex]ports. Protection pushes [up the] price of imports [and] guarantees a high pric[e for] domestic goods, thus fu[elling] inflation and the wage-p[rice] spiral. By precluding a[n in]ternational division of lab[our] protectionism has prev[ented] specialisation along [lines] where we have a natural [ad]vantage. It has also inhi[bited] interindustry trade, wit[h its] associated technological [in]terchange, thus isolating [this] country from the world['s] technology stakes. [...] distorted by protection i[s the] rational allocation of ca[pital] and labour into areas w[here] this country has a compe[titive] edge in world markets.

Step one of our p[lan] (abolishing import lice[nsing] and boosting tariffs) w[ould] have little effect on prote[ction] per se. But it would have [the] following advantages:

• It would be easier to [ad]minister and less ope[n to] abuse. Import licensing [is] clumsy, time consuming [for] both the Government [and] importers, and has opened [the] Department of Trade [and] Industry to charges [of] corruption and poli[tical] favouritism, thus inhib[iting] that department's ability [to] deal frankly with the [in]dustrialists it was establi[shed] to serve;

• It would be cheaper [to] administer. Importers se[eking] licences and manufact[urers] seeking protection sp[end] millions each year flying [to] Wellington, to wine and [dine] import licence officers. [...] this wining and dining [...] gain no one any favo[ur...] [adv]antage, it is thought to be [unnec]essary, and thus a waste of [...] time and money;

• It would be fair. No one [woul]d be granted an import [licen]ce, which is little more [tha]n a licence to make money. [Any]one who thought he could [pa]y high tariffs and still sell [his] goods at a profit would be [fre]e to do so;

• It would lower consumer [pric]es for imports. The present [im]port licensing system leaves [litt]le room for competition [amo]ng importers. A typical [lic]ence holder enjoys a near [mono]poly on the market for his [goo]ds, and goods under licence [are] in short supply. There is [litt]le if any incentive for the [lic]ence holder to shop around [for] the cheapest goods. He will [ta]ke the same markup on one [spa]re part bought for $5 as he [w]ould on two similar spare parts [bo]ught for $2.50 each. The [la]tter would serve the con[su]mer but double the handling [an]d sales costs. He is probably [th]e only one with a licence to [br]ing in the spare part and the [cu]stomer has to be content [wi]th what he gets. Under a [ta]riff system, no one has a [G]overnment-granted corner [on] the market. As tariffs would [be] imposed on an ad valorum [basis], importers, to remain [com]petitive, would have to [sho]p around for the cheapest [im]ports, and cut their [mar]kups to the competitive [min]imum;

H. GEMMELL . . . abandoning import licensing would wreck economy.

• A tariff system would be [mo]re flexible. Should a [shor]tage occur, as was the [case] some years ago when New Zealand's sole toilet-bowl [ma]nufacturer (McSkimmings [In]dustries) stopped production [fo]r a time, importers could [res]pond immediately, pay the [ta]riff, and maintain supply;

• The abolition of import [li]censing would placate our [tr]ading partners who have [be]en complaining about the [sy]stem, and using it as a [ba]rgaining lever against New [Ze]aland in trade negotiations.

[T]he replacement of import [lic]ensing with tariff restric[ti]ons would raise a few [po]litical hackles. Indeed, the [id]ea has been tossed around [Cu]stoms, Treasury, and Trade [an]d Industry for some time, [an]d received some degree of [fa]vourable response from the [Bur]eau of Importers.

[S]tep two, the incremental [red]uction of tariff protection, [wo]uld be one very hot political [po]tato, and require careful and [th]orough selling.

[B]ut every voter is a con[su]mer who could be made [aw]are of the costs of protec[tion]ism — like pointing out [tha]t the reason he pays two to [thr]ee times the imported [pri]ce of a new car is primarily [to] protect a plethora of inef[fici]ent, under-utilised auto[mo]bile assembly plants which cannot [ach]ieve economies of scale [an]d still provide this tiny [ma]rket with the wide choice of [ma]kes and models the buyer [dem]ands.

[O]r one could turn to the [ho]usewife, pointing out that an [im]ported dinner set would be far cheaper were it not for the Government's protection policy.

Federated Farmers has already come out against subsidies and import licensing. One could strengthen the farmers' resolve and add public support by demonstrating the detrimental effect protectionism has on this sector. The farmers still contribute some 72 per cent of New Zealand's export earnings, but farm profits are falling, as is growth.

At least part of the cause of falling farm profits is the high cost of inputs which have been forced up by protectionism. To cite an example: onion farmers until recently were forced to buy onion bags (to export their onions) from a protected local manufacturer at prices far higher than imported onion bags.

Protection-led inflation also pushes up farm labour costs.

The manufacturing lobby can be counted on to resist any reduction in their hothouse protection. Their argument would be that New Zealand manufacturers, with their high labour costs, can't compete with "coolie labour". To this argument the Government might say: "Why even try to compete with coolie labour. With our technological advantages and educated populace, why not just import our shoes and turn our efforts to making something we're good at, like milking machines."

The manufacturers might also be reminded of the cost to the community of their protection. This cost was borne by the community to protect the fledgling New Zealand manufacturer from foreign competition in its embryonic stage. But the manufacturer was supposed to grow out of the need for protection to repay his debts to the community by producing competitively-priced goods for both the home market and export. After 40 years of import licensing, this debt remains to be paid.

Manufacturers' Federation president J H Gemmell claims that abandoning import licensing would wreck the economy. But need this be the case?

Given time, and the incentive to adjust, New Zealand manufacturers can and must specialise and achieve economies of scale. By expanding his horizons from the domestic market to the world market, the manufacturer now producing a broad range of products for the domestic market could concentrate all his efforts on those few products he makes best or cheapest.

NBR spoke to one Auckland manufacturer who was exporting 96 per cent of his total production. This manufacturer is clearly in no need of protection. This is the sort of industry that needs the country's backing.

The sort of manufacturer who needs protection in the domestic market as a springboard for exports is never likely to export more than 10 to 15 per cent of his total production. If the local consumer buys 90 per cent of his output, the 10 per cent exporter can export at cost, or even at a slight loss, and still come out on top when he collects export incentives.

The manufacturer who is not producing goods at world competitive prices is being subsidised by those who can.

It is here that the Government could employ a divide and conquer policy to split the manufacturing lobby into export competitive winners, and those who can't survive outside the protected hothouse.

IMPORTED CARS . . . buyer demands wide choice.

DINNER SETS . . . protection for NZ manufacturers.

MILKING MACHINES . . . we do it better.

To say that all New Zealand manufacturers need protection from foreign competition would not only be a national insult, but would be clearly untrue.

But under the protected hothouse, the winners not only have to subsidise the losers, but are forced to compete for labour and capital with the protected industry that is only a cost-plus operation, while his own industry, to export, must be cost efficient.

The Government's high priority scheme is an attempt to sort the winners from the losers. Under free trade market forces it would accomplish the same result with no administrative costs.

Organised labour would likely follow the manufacturing lobby in their cry against imports made by "coolie labour". The labour rank and file might not yet realise it, but this so-called coolie labour is well on the way towards a living standard that will surpass New Zealand's, if the present trend continues.

Once again, a slow, inexorable movement towards a clearly-defined goal should allay some of the fears about losing one's job. Ten years or so is a long time to adjust. The luddites in the work force can be stilled with assurances of restraining schemes and guaranteed continuity of employment.

As Muldoon said, the disruptive effects of implementing this sort of change could outweigh the benefits. If Muldoon, like the unfortunate Gough Whitlam, announced something like a 25 per cent tariff cut straight out of the blue, the result would probably be massive unemployment, and a total loss of the little remaining business confidence.

But this need not be the case. Open government can implement change while maintaining a secure climate of rational expectation. First, it must gain the public's trust by laying its cards on the table.

Fast-food formula: time for a taste of class

by Belinda Gillespie

NEW ZEALANDERS spend nearly $80 million a year on branded fast foods, and are increasing that amount by about 10 per cent a year. Our spending rate of 15 cents in the food dollar on fast foods will reach 35 cents in five years, and we will soon be eating one in three meals away from the home.

While trends in fast foods are anyone's guess, there are signs that people are going for a little more class in where they eat, if not what they eat. The big food chains are building stores which project a restaurant rather than a takeout image, and are adding sit-down facilities where they are now lacking. Thus greasy wrappings in the car and chicken bones in front of TV is giving way to camaraderie among the plastic flowers and child-proof installations offered by the "big three" — McDonald's, Kentucky Fried Chicken and Pizza Hut?

There are big economic advantages of a system of food delivery where a product is master-minded from raw materials almost through to first bite. The principle is self-evident to economists of whatever political colour. In the drive towards modernisation, the Chinese Government is urging people to eat at the takeout, and the ritual hours traditionally spent in the preparation and eating of food are being regarded as an unpatriotic waste of time. A fast-food meal takes 10 to 15 minutes to eat compared with an hour for a meal at a restaurant — so, with a remarkable facility for lateral thinking, the Chinese have consulted the company that laid the golden egg for Ray Kroc, high-school drop-out — McDonalds, the capitalist dream come true.

People can eat only so much fast food, and there are signs that the market may be flattening out in the United States and Australia. Even in New Zealand, where fast food is still something of a novelty, some sectors of the small market could be near saturation.

Wall Street is reported to be keeping an eagle eye on restaurant stock, threatened by rising costs and narrowing profit margins. Some segments of the fast food market are becoming over-built as the chains proliferate and competition gets tougher.

There are optimists, however, who declare that the food business is "still a growth industry" compared with other retail businesses and United States industry in general. Overall demand is still growing and the industry is in "the early stages of consolidation".

Other analysts describe problems of maturity; chains have up till now made typical 25 per cent quarterly gains in sales. But as they achieve equal levels of operation and marketing sophistication, such gains will be a thing of the past.

As firms can no longer lean on an unblemished record of ever-growing sales and profits, the name of the game is change in operation or in marketing strategy. The greatest potential is seen in the family restaurant market — a segment with more room to grow than the "heavily saturated burger segment". These restaurants have the advantage of wider menus and greater flexibility to juggle the menu mix to cope with spiralling food costs and pressures on margins. Chains which rely heavily on one food item are currently suffering a considerable squeeze on margins, particularly the fast-food hamburger segment. Similarly, the chicken sector is under a question-mark — fast-food chicken sales have been found to be more dependent on commodity pricing than any other sector.

From another point of view, "show me another industry where a small company can come out of nowhere to challenge the giants", said an industry spokesman, countering fears of market saturation. His example was Wendy's, a hamburger chain — which has come from nothing to join the top 20 within a few years, achieving a growth rate of more than 150 per cent (compared with McDonalds 21 per cent in 1975-76).

An industry which depends more for "the bundle of services" it offers than the quality of food is particularly vulnerable to fashion and customer whims. Newcomers have the advantage; to change is now seen as crucial to a food company's success. As McDonald's earnings for the third quarter of 1978 dropped by 20 per cent as a result of the company's efforts to absorb increased costs and protect its market share, observers questioned whether inflexibility was the cause of the problems.

On the Australian scene, the so-called "big three" take up only 8 per cent of the market, though heavy promotion suggests a much bigger slice of the cake. By 1981, consumers are expected to spend $3150 million on fast foods, or $13.50 of the weekly housekeeping budget, from $650 million in 1971, or $3.50 a week.

Despite the predictions of inexorable growth, in Australia McDonald's and KFC are reported to be hustling for shares in a market which is also flooded with Chinese takeaways. Last year McDonald's, a relative newcomer, was still in the red, and reported to have lost sales since it introduced the variation of a hamburger with salad.

KFC across the Tasman is said to be under pressure from McDonald's, and to have modified its system to meet the challenge. Changes announced in January included extending the range of food and providing more restaurant facilities; the latter is the factor which has given the McDonald's group a distinct advantage. The news follows a 20 per cent earnings slide to the year May 31 1978, when net profit fell to $2.1 million from $2.7 million. The Australian changes parallel similar activity in the United States, where, according to the chairman of Heublein Inc, "the chicken turnaround has begun" — after five years of flat KFC earnings, followed by a profit plunge, KFC is spending $50 million to refurbish its now dilapidated candy striped stores, and is moving into a more decor with greater space.

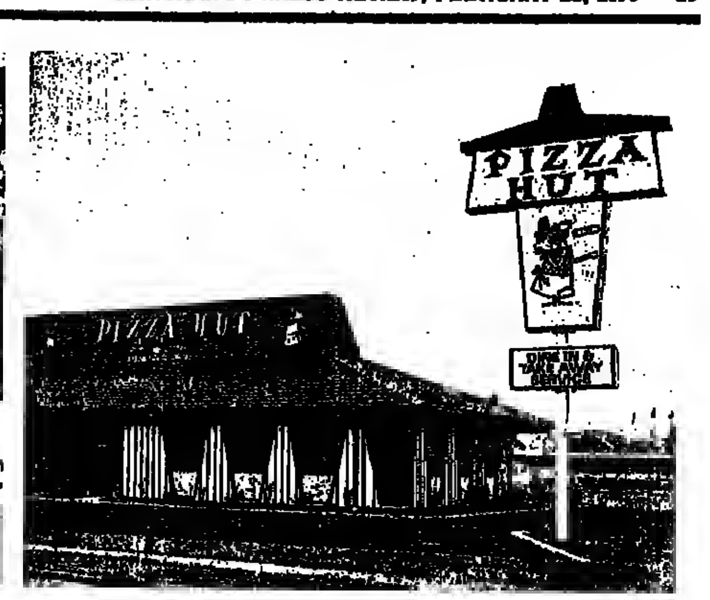
Rob Vincent, New manager of KFC, major differences be New Zealand opera those in the United St Australia. Chief of New Zealand stor company-owned and The franchise syst operates elsewhere standards can slip of a poor operator, glossy image becomes greasy spoon.

According to annual report, Kentuc is still performing several new stores development. The corporate seating and an open kitchen with overseas trends turnover up 16 per c company turned in a profit performance some contraction in spending and the emerg other fast-food outlets.

Vincent claims company there has th of hindsight. The ma stores — Kent (Wellington), Nelson and Shirley, have re facilities. The com already in "phase two operations. With operating, KFC is c estimated saturation 45 stores, and is moving period of consolid existing operations "revitalised", red facilities and other spinners such as windows will be added.

The company is still leader in the fast-food says Vincent, in te customers per week market sales. In the months, the estimated of meals sold per we increased from 23 280,000. Chips and chi were added to the m year, and milkshakes the pipeline.

The company has its emphasis on staff at management and levels, perhaps in re the much publicise Donald's emphasi education which culm a course at Ham University. With five stores and two trainers, KFC last year two-day residential co



THE BIG THREE . . . McDonald's, Kentucky Fried Chicken, Pizza Hut.

trainee managers and sent seven of them to Australia. At store level, staff are trained in various jobs and get paid extra if they pass examinations.

Though admitting that the economic climate has had some effect on operations, Vincent claims that his company is in excellent shape, thanks to a strong management team, good marketing and staff training.

A leader of one of the major companies predicts that the capital and marketing expertise of the "big three" — to which could be added Lion's chain of Cobb and Co. restaurants — will eventually squeeze out their New Zealand imitators, though there will always be room for the individual operator, who often is complementary to, and flourishes alongside, a store owned by one of the giants.

Tom Brow, manager of the Wellington-based company Homestead Chicken, says 5½ years of successful operations, 25 per cent of the fast-food chicken market, and a multi-million dollar-a-year turnover, have proved that "number twos live". While admitting to being in direct competition with KFC he says he believes that there is still room on the market for everyone. With a smallish chain of six stores and two more being built this year, his company is also in a phase of consolidation and "safe, discreet buying".

Homestead is franchised from a Sydney company which started as a family business 10 years ago, and is now a chain of eight stores. The turnover here is bigger per store than in Australia — and bigger also than that of KFC stores, claims Brow. Where Kentucky Fried has opened in close competition with Homestead, as it did with its central Wellington and Porirua stores, there has been an unexpectedly small drop in sales; in Avondale, Auckland, Homestead has a store less than a mile away from its rival, and turnover is rising.

Like the bigger chains, Homestead spends most of its promotion budget in projecting on television a "homely meal outside the home" image. The product appeals because of its quality, cost, and status as "good family cooking".

Brow claims greater success for his product because his basic mixture of spices and condiments is adapted to the Antipodean, not the American, palate. The relatively small size of the chain, with all stores company-operated, means that the company can remain more adaptable and responsive to change in tastes than the big conglomerates which impose their ready-made American formula on the New Zealand public. The menu, which includes such unusual items as chicken livers, sweetbreads and battered mushrooms, has proved that the public can accept something outside the usual fast-food formula.

While looking at plans for seating 40 in the Auckland store, Brow is cautious about rushing into the restaurant concept, with the higher capital cost and need for high margins. The present small store is of a basic, inexpensive design, with no extra staff required to service tables and clean up.

Lion's Cobb and Co. restaurants claim another segment of the market altogether, though one that probably overlaps (at the edges) with the straight takeout. The number has grown to 14 since opening five years ago at the South Pacific in Auckland, and Lion expects to open several more each year for the next five years. The company is "delighted" with the success of its formula, which Des Fitzgerald, publicity affairs manager, says has worked in every location. When Lion announced its planned Cobb and Co. in Hamilton's "Golden Mile," local predictions were that the venture would flop in an area renowned for its conservative habits. But, in line with the company's own market research if not local opinion, the restaurant proved an unprecedented success.

Cobb and Co. appeals to young family groups in providing a venue with a "sense of occasion" at a reasonable price. Major parts of the recipe, says Fitzgerald, are the facts that they welcome children, and are licensed — a winning combination in a country where only high-priced restaurants which discourage children are fully licensed.

Another ingredient is a menu wide enough to be attractive and flexible, but not so wide that it becomes expensive.

Fitzgerald says Lion has no real competitors in this area, and believes that the market is still wide open. Pizza Hut, although licensed, has its own recipe for success, and is patronised by clients with a definite preference for the two main menu items offered.

Saturation, Fitzgerald says, would be "one in each small town". But the cities can take more — a second Cobb and Co. was opened in Christchurch with some reservations, but met with such success that a third is envisaged.

Big Tex, with 11 retail outlets, is another "medium-sized" chain, whose general manager, Tom Johnson, says has proved its viability against the big competitors. New Zealand's wide geographical spread and small population base, he believes, favour the small operator. Big Tex opened at Foxton in 1964, well before the incursion of the overseas franchises. Ultimately a restaurant more than a takeout, Big Tex has developed a "betwixt and between" package all its own.

Tom Johnson sees Lion as the big operator in his field — with the financial resources, and key locations in already established hotels; it can count on a good return on invested capital. Big Tex has two licensed outlets in hotels, and is trying for beer licences at other outlets.

Big Tex has a subsidiary company, Country Choice Products, which produces salads, chips, burger patties and so on for sale at its own outlets. It is also moving into the delicatessens of the big cooperatives.

In the short-term, says Johnson, the company will be expanding mainly in that direction, while "stabilising" the restaurant size. Although a new outlet is opening soon at Palmerston North, one has been sold off in Rotorua as "not being in line with long-term objectives". These, says Johnson, are to get a good return on invested capital, expand the market, and promote the image of a family dining-room which "won't cost an arm and a leg".

Staff may be the biggest problem for the "medium" operator who doesn't have the training resources available to the big conglomerates. New Zealanders aren't service-oriented — they neither expect nor give good service. Turnover is high. One answer is to franchise outlets, a move which is being made both by McDonald's and Big Tex. With a vested interest, it is claimed, the franchiser is on the spot to get maximum staff control. At mid-1978, only 26 per cent of McDonald's American outlets were company operated, and recent advertisements indicate that they are moving into franchising here.

Other observers claim that franchising creates bigger than ever staff problems, particularly in a small market, where one bad operator can mess up a whole company's image. Putting in an owner-operator, however, cuts margins and can add an extra $10,000 a year to profit; franchising, therefore, could be taken as a sign of financial strain on the part of the companies concerned.

It seems clear that the restaurant-oriented facilities have benefited from a "trading-down" affect, and have probably siphoned off some of the high-class restaurant trade, as well as creating a new market with families dining out. Reports from overseas show that fast-food operators are increasingly looking to restaurant-style eating to keep up their profits. This is the area where it is most possible to meet the criteria said to be necessary to keep Wall Street happy with restaurant stock; operations "must be able to change, compete aggressively, control pressures on margins, maintain their market share, successfully put through price hikes, and expand their hours and types of operation".

Even where dining facilities are offered, single food specialists like McDonald's, KFC and Georgie Pie Family Restaurants (with an $80,000 loss for the six months up to September last year) may suffer at the hands of more sophisticated competitors. Other elements, such as a more flexible menu and a family licence, offered by the successful Cobb and Co. chain, combined with the fast-food concept, could prove to be the winning mix of the future.

NBR BUSINESS WEEK

Securities Commission: teeth for the watchdog

by Peter V O'Brien

THE Securities Commission will be concerned to see that legal techniques which are appropriate for one purpose should not be distorted for another purpose.

The commission's chairman designate, Wellington lawyer Colin Patterson, says that centuries of commercial law have produced techniques which are very apt for a particular purpose. Using those particular techniques might give one solution in one area, but in the long run cause problems in other areas.

He uses the term "debenture" as an example. A "debenture" is an acknowledgment of any kind of debt in traditional legal terminology, but popular usage has given it a cast which means something different.

"Now it is a very uncertain term," Patterson says. "We (the commission) want to remove this uncertainty."

But he is emphatic that the commission will not be imposing legal straight-jackets on the commercial community, and quotes a piece of doggerel to illustrate the point:

"There are four and twenty ways of performing tribal lays, and every one of them is right." This is also the philosophy which affects the accountants' "true and fair view" when describing a balance sheet. Working from the same raw information, it is possible to construct many balance sheets, each of which presents a different picture of the enterprise. The differences relate finally to questions of judgment, answered conservatively or liberally, in areas where there are no "right" answers.

Patterson acknowledges that the commission's empowering act creates a situation which is riddled with conflicts between various divisions of commercial and corporate law. He says the accountants' "true and fair view" in the contemporary scene have, in his view, been mixed up with other legislation devised to handle particular situations.

Problems relating to the nature of a company's "capital" in the contemporary scene have, in his view, been mixed up with other legislation devised to handle particular situations.

"Other legislation, principally tax legislation, has resulted in complexities in the corporate capital structure. That legislation needs to be looked at from a general point of view, rather than the corporate point of view." The problem is seen in the use of convertible notes and specified preference shares, securities which have become popular due to tax legislation. These are cases where a fiscal tool has been used to create a corporate security which Patterson says he thinks may not otherwise be used.

C I PATTERSON... commission will have to "strike a balance"

Put another way, the issue is whether the corporate capital structure should flow from tax and other legislation, or the latter flow from the former. Do you define the appropriate capital structure of the enterprise and maintain it, or adapt the structure in the light of fiscal expediency at any particular time?

These issues go deep into the nature of commercial law, economics, and the concept of incorporation. They also move further back into the underlying philosophies on which such concrete forms are based, but Patterson is quick to say that the commission is not concerned with policy, only with practical effects of policies on the day-to-day working of the commercial world.

The commission's first job is the overhaul of the rules relating to the issuing of prospectuses, a job which is listed first among several matters in section 70 of the Securities Act.

The procedure is involved, but will probably shake down in time. Section 70 says that the Governor-General may from time to time, by Order in Council, in accordance with the recommendation of the Commission (our emphasis) make regulations for various purposes. The first point to note is that there is no compulsion on anyone to follow the commission's recommendation. Regulations 'may' be made. Second, it seems that if regulations are to be made in this manner, they will be made "in accordance with recommendation etc."

But that is only one aspect of the section. The commission cannot operate in a vacuum. After detailing the areas where regulations may be made, the Act says: "Before making any recommendation ... the Commission shall — do everything possible on its part to advise all persons and organisations who, in its opinion, will be effected by any Order in Council made in accordance with the recommendation, of the proposed terms thereof; and give such persons and organisations a reasonable opportunity to make submissions thereon to the Commission."

That provision could create administrative problems. The first question is the matter of the commission's opinion, and whether that is a free flowing opinion, or an opinion which must be reached with regard to the usual rules of reasonableness and so on. For example, it can be argued that every company and every person seeking money from the public would be "affected" by new rules governing prospectuses. Merely "advising" those people of the "proposed" terms would create a difficult problem in regard to sifting through a mass of general as opposed to specific comments.

The commission will have to work out an appropriate procedure to deal with the practical problem. It will probably prepare draft rules which would then be circulated, and advertised for discussion and comment before final rules are presented to the minister as a recommendation.

The commission's general powers go beyond making recommendations on regulations to control financial advertising. Section 10 gives the commission these powers: "To keep under review the law relating to bodies corporate, securities, and unincorporated issuers of securities, and to recommend to the minister any changes thereto that it considers necessary; and to keep under review practices relating to securities, and to comment thereon to any appropriate body; and to promote public understanding of the law and practice relating to securities."

The third power is one of education. Patterson has several ideas about this, including the possibility of preparing material for use in schools so that people have a better understanding and working knowledge of significant matters which affect their everyday finances.

The second power contains the curious words "to comment thereon to any appropriate body". This seems to bring in organisations like the Finance Houses Association, the Stock Exchange Association and other bodies which deal in securities. But a power to "comment" is a vague power. The effectiveness of this power will depend on the commission's authority, and its ability to persuade people from a position of respect, backed up by the final sanction of recommending to the Minister that legal changes be made.

The commission will hope that its "comments" will be taken seriously by organisations to which they are directed, rather than being dismissed as an interesting opinion which may or may not be followed. If the latter result occurred after a "comment", the commission, irrespective of its power to recommend legal change, might as well not exist. It would lack the authority essential to such a body.

Patterson gives the impression that he and the other commission members (yet to be appointed) will move gradually in reviewing and revising the law, and will be careful not to promote sweeping change just for the sake of change. Patterson says firmly that the job is to create the proper framework for the financial and commercial system to get on with its business while ensuring that people investing in the various enterprises are fully acquainted with the risks inseperable from commercial activity.

But change in one area will inevitably lead to change in others. Patterson agrees that alterations to the rules about prospectuses will lead to new rules on disclosure in company accounts. If the commission decides, for example, that turnover or revenue figures should be disclosed in a prospectus to inform potential investors, that disclosure would have to be made in annual accounts of all enterprises, entailing changes to the 8th Schedule of the Companies Act. Keeping disclosure to prospectuses only would make an unfair differentiation between organisations which were seeking funds and others which had already raised the money.

Patterson is also concerned that company accounts at present are not comparable. Companies use different accounting conventions, or modify them. "It is a matter for concern that like should be compared with like," he says. This is a delicate area. The accountants are progressing to a consensus on the preparation and presentation of accounts, but they have some distance to go. The commission could provide a useful stimulus to this work, in conjunction with the professional bodies.

The commission's main job will be to reconcile the inevitable conflicts arising from the impact of its particular decisions and recommendations.

The total system of commerce and finance is inter-related. A change in one section has repercussions in others. The Interest on Deposits Regulations, for example, diverted funds from traditional institutions to "fringe" operators, some of which were fraudulent. In normal times, those organisations would probably have been frozen out of the funds market. Controls on some interest rates made them unusually attractive to the public. It took the politicians and commercially inexperienced public servants four years to see that the regulations were a mistake, in spite of arguments against the controls within a few days of their publication.

If the Securities Commission can develop as a powerful watchdog over such ill-founded policies it will earn itself a place in the country's commercial life without doing anything else. The promise for the commission is high. The selection of its chairman suggests that promise will be realised. Patterson seems determined that the commission will do its job properly, and practically. He has the qualifications to achieve his determination.

Apparently there's an executive bug going round.

Fletcher understates merits of attractive share issue

by Peter V O'Brien

FLETCHER HOLDINGS' one for three specified preference share issue has considerable attraction for investors, but it is also complicated. Unfortunately background information published so far contains two arithmetical errors (one minor) and at least one invalid assumption. If they were corrected, the issue is more attractive than appears from the company's statements. Last week, the Auckland conglomerate issued a "Fletcher Backgrounder" to financial institutions, brokers, and the financial press.

The second and third sentences say: "The Specified Preference Shares will carry the attractive dividend rate of 15 per cent per annum paid semi-annually. This is equivalent to a yield of 15.56 per cent p.a. paid annually in arrears."

The "equivalent" yield has been calculated on the basis of taking one half-year payment and reinvesting it for six months at 15 per cent. The assumption that the investor can obtain a return of 15 per cent on that money in present conditions overlooks the comparative risk factors.

Excluding mortgage investments, any person who sought a yield of 15 per cent would be taking a level of risk well beyond that involved in a company like Fletcher Holdings. The highest rate available currently from a reputable finance house is UDC's 14 per cent unsecured notes. No listed company is providing a dividend yield anywhere near 15 per cent. The secondary fixed interest market last week was also below 15 per cent.

The first arithmetical error relates to the allotment of Fletcher ordinary shares for the specified preference shares in six years on the basis of 85 per cent of the then price for Fletcher ordinaries. This error fortunately understates the return to the investor, and is not as serious as an overstatement.

The company says that a conversion at 85 per cent of the ordinaries' price gives a "15 per cent gain at the end of six years". That is incorrect. The return at the end of six years is 17.6 per cent.

The error has occurred through confusing a discount rate with a percentage gain. If something is bought at 100 and sold at 115, that is a gain of 15 per cent. But if something worth 100 is discounted to 85 (the principle which applies to commercial bills where one talks of a "discount rate" rather than a rate of "interest") the difference between 85 and 100 is the gain. And 15 related to 85 is 17.64 per cent. Fletcher's examples illustrate the point.

The company says "if the market price in six years is $2.35, two specified preference shares will convert to one ordinary, while if it is $3.53 it will take three specified preference to obtain one ordinary".

This means that $2.35 equals an initial investment of $2, while $3.53 equals an initial investment of $3. Consequently, the difference of 35 and 53 cents respectively is related to the appropriate investment, which in turn means that half of 35 cents (17.5 cents or 17.5 per cent) is the gain on $1 of investment in one case, and one third of 53 cents (17.66 cents or 17.66 per cent) is the gain on $1 of investment in the other case.

The company has made another understatement in saying that the final yield incorporates "at least 2.5 per cent per annum of bonus". This figure has been calculated by taking 15 per cent and dividing by six. Apart from the fact that the 15 per cent is incorrect (should be 17.64 per cent) the division is invalid, although it will be seen that the real return is a quarter of 1 per cent higher than the company has calculated.

If a share is bought at $1, and 2.5 per cent a year is sought for six years, the investor needs to realise $1.16 at the end of six years. If the final amount is $1.15, the annual gain is 2.35 per cent. The difference is minor, and therefore is unlikely to deter any shareholders from taking up the issue.

The actual bonus element per year, working from a gain of 17.6 per cent based on the discount rather than a percentage increase of 15 per cent, comes out at 2.75 per cent, or 0.25 per cent compound a year above the calculation in the backgrounder.

It should also be noted that the market will amortise the final gain of 17.64 per cent in varying proportion over the life of the security. That will increase the return to the shareholder, although to what extent depends on the final decision taken in the market. To that extent the return is again understated, although Fletcher is to be commended for taking a conservative approach to that element of the security.

The full return to the investor is therefore in excess of that given in the preliminary documents, after allowing for the theoretical question of reinvesting payments at 15 per cent a year. Fletcher has understated the merits of its issue.

The company's approach to specified preference shares is designed to minimise the effects of conversion on diluting capital. The burden of servicing generous specified preference shares after conversion is considerable if they have been issued in a high ratio to existing ordinary share capital, because after conversion the dividends would be paid from after tax earnings. The dividend on a specified preference share is tax deductible.

The Fletcher approach makes the specified preference share a fixed interest security, with an unchanging 17.6 per cent increment. So provided the head share price stays above $1.16, there is no fluctuating capital gain. Equally there is no chance of fluctuating capital losses. That is a bull point for any investor these days.

Key indicators

		Current Period	Previous Year	Percentage Change
Consumers Price Index — all groups base Dec. 1977 - 1000	Dec. 78	1104	1001	+ 18.5
Building Permits issued	Nov. 78	$ [illegible]07.4m	$ 103.1m	+ [illegible]
	Nov. 78 yr.	$ 1066.6m	$ 1182.1m	[illegible]
Official Overseas Reserves	Dec. 78	$ 584.7m	$ 584.8m	+ .003
Registered Unemployed - incl. those on special work schemes	Dec. 78	52,750	84,488	+ [illegible]
NZUC Share Price Index	22 Feb. 79	317.55	296.01	+ 8.00
Reserve Bank Share Price Index	21 Feb. 79	1360	1261	+ 7.00

Analysing annual accounts

by Peter V O'Brien

MAIR AND CO., Christchurch-based export house, had a tough time in the year to September 30, 1978.

The group's annual report shows that turnover declined 7.6 per cent to $93.1 million, after reaching $100 million in 1977. The company deserves credit for giving a breakdown on turnover by divisions, and for including details of the expenses incurred in earning that revenue.

The trading figures are surprising, in that the company's exports suffered the fall, while activities in the local market were ahead of the previous year. The accompanying table is taken from the annual report.

	1978	1977
	$million	
Wool Exports	39.1	42.4
Other exports	39.1	42.8
Local sales of primary products	9.1	7.9
Merchandising	2.4	3.1
Local Manufacturing	3.4	4.5

The company notes that the decline in turnover "is not necessarily reflected in volume. Indeed, the number of bales of wool we handled actually increased."

Net profit moved up 1.7 per cent to a record $594,142, although that "record" takes no account of the effects of price inflation. The profit and loss account gives "net profit for the year" of $295,352, from which tax of $4179 had to be deducted, compared with $759,069 (less $188,884 of tax) in 1977. But there was a change to associate and subsidiary companies in 1977-78, with a former subsidiary becoming an associate.

This factor, plus better trading in other associate companies, raised the latter's contribution from $13,891 to $303,019, to leave net tax paid profit of the group at $594,192 as against $584,076 in the previous year.

Mair is a company which fails to fit into the conventional accounting pattern of striking profits, and balance sheet values, on a particular day once a year.

Commodity traders see their business go in cycles. In this respect, Mair is similar to a freezing company which has good and bad years. In 1972, Mair earned $189,742, followed by $413,984 in 1973, $125,950 in 1974, $292,369 in 1975 and $521,600 in 1976. Unfortunately there is no better system than the traditional one of balancing once a year (with the exception of Lloyds' insurance figures which are taken in groups of three years to bring outstanding claims to account), so the company will probably have to continue suffering the inevitable misunderstanding and accept the misinformed tag of being "erratic".

The problem extends to balance sheet items, although the text in the report explains the most outstanding change. Mair's stock figure went from $8.6 million in 1977 to $11.4 million last year. The company explains the 32.5 per cent jump: "Although there is an increase of about $3 million in our stock holding, financed by an increase in bank overdraft, this is not regarded with any concern by directors. At times we have to carry substantial stocks for overseas customers, and these stocks are not invoiced as sales, until shipped overseas. Our stocks are continually turning over and vary in value considerably from month to month. Our own risk involvement in stocks at any time is relatively small."

Shareholders should receive reassurance from that comment, because stock values accounted for 59 per cent of total assets at balance date, compared with 55 per cent in the previous year. The proprietorship ratio (shareholders' funds to total assets) fell from 22.5 per cent in 1977 to 21 per cent.

That percentage would be considered dangerous in most companies, but Mair obviously has a high turnover of stock, and consequently generates both a cash flow and a cash volume which is commensurate with a high gearing. The capital was increased after balance date, as a result of a one for five issue at a premium of 75 cents a share. The price fluctuations for commodities which come within the scope of Mair's activities raise interesting questions on what would happen to the group's profit and asset values if inflation accounting principles were applied to the accounts.

Mair does not include a statement of inflation accounting, but it is clear that there would be a profit adjustment, possibly of considerable magnitude, given an increase in volume sales while revenue fell.

Apart from that omission (which is optional, until the recommendations of the Society of Accountants are adopted), the report is a good example of how to present important information simply while observing the virtues of brevity.

In view of the current discussions on export incentives, the final section of the chairman's review is significant.

"Over the past few years we have structured the organisation to diversify away from the risks of international trading, and to take advantage of the benefits of exporting New Zealand produced manufactured from traditional raw materials of our grasslands."

Exchange rates

As at 22 February 1979 $1NZ is worth:

Australia	[illegible]
Britain	[illegible]
Canada	[illegible]
Fiji	[illegible]
Japan	[illegible]
West Germany	[illegible]
USA	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
Hong Kong	[illegible]
India	[illegible]
Italy	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia & Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Papua New Guinea	[illegible]
Philippines	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sri Lanka	[illegible]
Sweden	[illegible]

NBR SHAREMARKET SURVEY
WEEK ENDING FEBRUARY 22, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
61	52	J.WEBSTER 50C	62	65	62	18.0	700	12.3	4.1
111	125	J.NATHAN	122	...	...	16.0	0	12.8	3.8
179	170	J.RATTRAY	170	170	170	12.0	200	7.1	5.2
		KSTRNS-OATINA	172	...	...	...	0	...	24.6
87	67	L.W.RUDKIN,50C	80	82	78	14.0	14800	8.8	3.3
48	45	LAKES,50C	48	...	...	10.0	0	10.4	3.6
191	180	L.D.NATHAN	190	191	128	13.0	14100	6.8	3.2
56	85	LEYLAND,50C	85	83	85	12.5	1000	7.4	2.9
71	71	LION	71	72	71	12.0	110000	10.6	6.4
13	18	L.&M.OIL,60C	18	19	18	...	27200	...	...
		LUSTEROID	70	...	...	17.0	0	24.3	.8
112	112	MAINZEAL CORP,50C	112	115	115	15.0	1800	6.2	4.3
172	17	MAIR,59C	168	168	168	23.0	2200	7.4	4.0
110	100	MANAWATU,50C	110	110	110	12.0	2200	7.5	4.6
160	155	MANTZEL	152	...	...	10.0	0	6.8	3.2
175	170	MARAC	172	173	173	13.0	900	8.6	3.2
148	130	MCALPINE,50C	140	140	140	16.0	200	5.7	6.0
160	146	MCKECHNIE	148	148	140	14.0	1300	10.0	3.2
78	66	MCKENZIES,30C	70	70	68	11.0	2200	7.9	5.1
		MED.SUPPLIES	232	...	...	12.5	0	2.5	2.4
111	125	MIDLAND	150	150	120	12.0	26100	8.0	4.4
12	12	MIN.RESOURCES,20C	15	12	15	...	5000	...	...
60	28	M.O'BRIEN,10C	58	60	18	10.0	1400	8.8	1.7
110	111	MONTANA,30C	117	118	116	7.2	40400	3.2	30.8
110	139	M-P.I.M.	130	150	130	12.5	300	2.2	0.4
236	139	MOBOTIZL	130	153	130	13.0	2800	10.0	4.9
59	55	MOTOR HOLDS.,50C	52	52	25	12.0	0300	12.6	2.9
82	75	MOTOR TRAD.,50C	80	80	70	14.0	13400	8.8	4.9
		M.&.D.-SPIERS	110	...	...	10.0	0	7.7	5.9
115	100	SII CORPN.50C	105	102	103	16.0	55800	7.6	6.6
191	170	MT.COOK	190	190	190	13.0	11490	6.8	6.5
[illegible]	[illegible]	M.L.M.HOLDS.,59C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23.4
[illegible]	[illegible]	NAT.INSURANCE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2
[illegible]	[illegible]	NAT.PICTURES,$2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.1
[illegible]	[illegible]	NAYROS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.0
[illegible]	[illegible]	NCP CAT[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.1
[illegible]	[illegible]	NEIL HOLDINGS, 59C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2
[illegible]	[illegible]	N.Z.CEMENT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.9
[illegible]	[illegible]	N.Z.F.C.,59C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.9
[illegible]	[illegible]	N.Z.FARM FERT.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.3
[illegible]	[illegible]	N.Z.F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.4
[illegible]	[illegible]	N.Z.I.G.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.8
[illegible]	[illegible]	N.Z.L.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.9
[illegible]	[illegible]	N.Z.LAND,50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2
[illegible]	[illegible]	N.Z.LEATHERS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...
[illegible]	[illegible]	N.Z.MOTOR BODIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.7
[illegible]	[illegible]	N.Z.M.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.2
[illegible]	[illegible]	N.Z.REFINING	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2
[illegible]	[illegible]	N.Z.PASTORAL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.3
[illegible]	[illegible]	N.Z.PETROL,50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.1
[illegible]	[illegible]	N.Z.STEEL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.0
[illegible]	[illegible]	NZFP,20C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.3
[illegible]	[illegible]	N.Z.UNITED	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.9
[illegible]	[illegible]	NEWZN INDUSTRIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.4
[illegible]	[illegible]	NUHAKA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...
[illegible]	[illegible]	OSLINS,20C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.9
[illegible]	[illegible]	OPTICAL HOLDS. 50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.7
[illegible]	[illegible]	PAVROC HOLDINGS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...
[illegible]	[illegible]	P.G.L.HOLDS,50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.3
[illegible]	[illegible]	PENNIEST	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.0
[illegible]	[illegible]	PHILLIPPS & SHREY.50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.9
[illegible]	[illegible]	PHOSPHATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.2
[illegible]	[illegible]	PRINT & PACKAGING	132	132	132	13.5	6100	6.9	3.8
135	322	PROGRESSIVE	325	325	322	11.5	2409	3.3	3.1
170	165	PROP.SECURITIES,30C	148	...	...	23.0	0	7.4	5.4
115	100	PRUD.BUILDING	102	102	105	15.0	1400	12.4	4.6
121	86	PYE ELECT.,50C	88	88	87	13.0	1100	7.4	2.6
110	122	QUILL MORRIS,10C	110	150	130	14.5	300	5.6	3.4
105	305	RADIO AVON,30C	302	...	...	35.0	0	5.7	6.2
116	329	RADIO OTAGO	310	...	...	10.0	0	2.9	8.4
100	98	REGINA	100	...	...	11.9	0	11.0	4.2
217	100	R & W HELLABY	212	217	212	13.0	6100	6.0	2.0
100	75	REPCO(NZ),50C	72	72	75	12.0	5700	8.0	3.8
3	5	REPUBLIC PET.,59C	3	...	...	...	0	...	...
230	225	REVERTEX	230	230	230	14.0	200	6.1	4.3
240	230	REX CONSOL.	230	250	230	14.0	3300	6.1	7.0
218	205	RHEEM,50C	202	202	205	12.0	200	2.9	6.9
		RICKITAN,50C	49	...	...	...	0	...	10.7
100	97	ROTHMANS,59C	98	109	98	14.5	89600	7.4	2.0
160	260	R.W.SAUNDERS	240	...	...	12.0	0	4.6	5.4
240	213	SALMOND	240	249	240	14.0	200	2.8	2.7
190	230	SANTORO	210	259	250	15.0	400	6.6	1.9
135	120	SCHOTISLO	155	185	135	9.0	1500	6.7	6.4
59	55	SCOTT,10C	59	69	59	12.2	1000	10.6	5.0
		SSLBY	275	...	...	15.0	0	2.6	8.6
241	225	SKELLERUP,50C	228	220	228	20.0	3200	4.4	3.1
115	112	SMITH, BROWN,59C	113	113	113	16.5	4290	7.3	8.2
181	172	SMITH BIGLAR,50C	175	...	...	15.0	0	4.5	7.8
115	130	SMITHS C.M.	132	155	133	12.0	2400	8.0	5.4
113	193	STHN BRITISH	295	300	293	22.5	59200	7.7	5.1
201	109	STHN. CROSS HOTEL	110	...	...	9.0	0	8.2	7.3
7	7	STHN CROSS MINS.,29C	7	...	...	...	0	...	...
215	185	S.F.M.	185	205	185	15.0	1500	8.1	5.0
51	78	SPEDDING, 20C	78	80	78	22.0	1200	14.1	1.8
101	95	STEEL & TUBE, 50C	99	190	99	10.2	4900	8.3	5.1
98	92	SUCKLING	90	...	...	14.0	0	14.5	2.7
142	155	TAPPENDEN	132	137	135	12.0	1500	8.9	5.7
157	145	TASMAN, 50C	150	122	120	5.0	6900	1.7	11.7
120	110	TAYLORS	120	120	120	13.0	200	10.8	2.8
249	225	TELTHERM	235	240	255	17.0	600	7.2	2.0
78	25	THL GROUP,50C	75	70	75	14.0	51100	9.3	3.6
380	345	T J EDMONDS	372	372	375	17.5	200	4.7	7.2
100	96	TOLLEY	92	96	96	10.0	1400	10.4	2.0
76	72	TOUR FIJI	76	76	70	...	300	...	...
42	45	TRANS ASHBURTON, 50C	45	43	45	10.5	1900	11.7	11.8
122	129	TRANS HOLDS	124	125	124	11.0	12000	8.9	4.9
111	102	TRANS CNTR. CANT.T	105	102	102	12.3	2600	11.0	2.5
130	135	TRANSVISION	143	150	143	7.3	15100	5.2	12.0
118	145	U.D.C.	143	143	143	12.5	1000	2.7	10.1
94	3	U.T.B.,50C	90	03	90	17.0	09900	0.4	4.0
95	95	UNITED BLDG	93	...	...	15.0	0	16.8	6.7
115	550	UNITED PUBLISHING,50C	150	150	130	10.0	1000	4.9	4.2
75	52	VACATION,50C	65	75	83	9.0	00900	7.1	7.4
147	140	WAITAKI-NZR	140	143	140	12.0	16200	8.6	4.4
95	90	WALKER&HALL	290	...	...	13.0	0	4.5	4.0
510	230	WATTIE,50C	91	91	90	14.0	36300	7.7	4.2
90	90	WGTN.GAS	350	550	540	12.0	6200	3.4	4.8
172	110	WILKINS & DAVIES	90	90	90	3.0	600	5.6	7.8
146	230	W.JEFFERY	172	...	...	12.5	0	7.5	5.1
115	100	WILSON & HORTON	240	248	245	17.0	1500	6.9	4.9
300	290	WILSON DISTILLERS	115	115	113	...	500	...	34.0
91	80	WILSON NEILL	300	500	300	13.0	5800	5.0	5.0
169	189	WINSTONE,50C	80	07	80	14.3	42900	9.1	6.4
500	500	W'WTHS (AUST),59C	189	...	...	17.0	0	4.5	23.0
		WORMALD	500	...	...	14.0	0	4.7	6.6
112	103	W.R.CARPENTER,50C	140	...	...	23.0	0	7.0	7.7
		W.SUTHERLAND	112	112	110	...	2500	...	2.0
		ZEALANDIA	225	...	...	10.0	0	4.9	5.4

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
100	100	AINSWORTH,50C	100	108	180	12.0	1900	6.0	5.1
190	190	AJAX G.K.N.	190	198	190	15.0	800	6.8	4.1
90	90	A.J.WHITE	90	...	...	11.3	0	12.0	4.2
140	112	ALCAN,50C	140	148	150	20.0	2400	7.5	4.8
235	243	A.S.I.	230	228	280	14.0	4800	2.6	4.2
72	72	ALLIANCE,20C	74	75	75	15.0	9900	2.8	4.3
245	230	ALLIED FARMERS	240	242	240	14.0	9800	2.0	6.0
130	122	ALLIED PRESS	110	120	180	10.3	700	.0	0.1
220	220	ALLOY STEEL	220	220	220	12.0	700	2.5	0.7
		AMALG.BATTS	140	...	...	15.5	0	8.4	8.4
212	190	A.M.BISLEY, 50C	205	212	800	80.0	60500	4.9	5.4
90	88	AMPOL PET.,20C	86	...	...	15.0	0	6.4	55.4
128	122	A.BEAVEN	127	128	185	12.0	9600	9.4	2.1
122	120	A SPOINOHALL	120	120	120	14.0	1700	11.7	2.6
200	260	A.UNIORT	260	...	...	17.0	0	6.6	5.1
190	122	A.BARRETT	180	...	...	14.0	0	7.8	5.1
120	122	A.ELLIS	128	128	188	11.0	1400	8.6	5.1
350	310	ARTHUR YATES	212	312	315	17.8	500	3.4	3.6
313	173	ASHBY BERGH	312	...	...	22.5	0	7.1	3.9
203	198	A.B.PATERSON	202	202	205	15.0	2700	7.5	8.9
175	175	A.B.CARLILE	175	175	175	18.5	400	9.4	4.3
11	49	ATLAS, 50C	30	50	28	17.5	19800	17.6	2.7
325	310	AUCK.GAS	325	522	528	12.5	2900	3.8	54.1
		AUCK. INTERCON. PROP	110	...	...	3.0	0	4.5	23.9
220	210	AURORA,20C	220	220	220	14.0	5400	3.2	50.9
		A.C.I.	198	...	...	9.0	0	4.5	7.0
90	80	AUTOCRAT HOLDS	80	22	08	17.5	5600	21.9	2.3
90	20	BAILLIE,50C	31	21	51	10.0	800	9.8	6.1
78	74	BALLINS,50C	75	77	75	12.5	12100	0.5	6.0
422	415	BANK. N.Z.W.,$2	415	...	...	15.0	0	7.2	6.1
82	72	BRACE BETR.,20C	72	72	72	...	1000	...	...
78	71	RING RARSIS, 20C	72	72	72	12.5	8100	8.7	6.2
120	105	B.N.Z. FINANCE	180	180	180	12.5	6000	6.9	2.2
43	42	BRAMBLES SUNBETT,20C	42	45	42	12.0	7700	14.5	3.2
12	12	BRIDGEVALE,30C	12	52	62	6.0	2600	2.8	4.2
210	211	BRIERLEY, 50C	212	...	...	28.0	0	6.6	4.0
77	73	BOS, 20C	75	...	...	10.0	0	10.7	5.7
		BRIT.PAYMENTS	200	...	...	7.0	0	3.2	6.0
64	61	BROADLANDS,50C	61	02	61	14.0	26400	11.5	4.3
1220	1120	B.H.P.,$2	1250	1250	1100	17.0	6750	2.7	26.8
93	95	BROTHER, 20C	95	...	...	20.0	0	10.2	3.7
66	60	BUNTING,50C	63	65	65	11.0	4600	8.7	6.7
132	150	BURKES CAT.,20C	135	...	...	22.2	0	7.5	6.2
142	142	C.P.D.	148	145	142	54.0	7400	9.7	3.4
180	180	C.P.C.4.	180	180	180	55.0	1800	8.3	2.0
163	150	C.P.M.	162	165	155	15.5	800	8.2	2.9
120	145	CANT.FLOUR	145	150	145	15.0	8800	10.2	1.9
160	140	CANT.TIMBER	143	150	140	...	6600	...	...
182	169	CAPITAL RADIO,69C	160	185	169	...	8100	...	23.5
18	13	CAPITAL LIFE,20C	23	65	55	10.0	600	9.4	7.8
		CANBORIC ICE	206	...	...	14.0	0	6.6	4.9
222	210	CARTER HOLT	212	220	218	15.0	10900	0.9	4.2
188	155	CERAMCO	180	180	178	14.0	9800	7.8	5.1
192	180	CHALLENGE	181	189	185	12.2	116800	6.0	5.8
98	85	CREMERY	91	96	95	10.0	3600	10.1	3.4
113	115	CH'CH.GAS	115	115	115	7.2	100	6.5	6.1
220	220	CH'CH PRESS	220	...	...	14.0	0	6.4	1.7
32	10	CITY REALTIES,19C	11	32	32	15.0	400	4.1	1.1
90	00	CLASSIC FASHIONS,30C	90	90	90	15.0	2790	8.5	3.1
93	90	CLYDE ENG.	95	92	93	12.0	1900	12.9	8.4
153	140	COL.MOTOR	115	153	155	11.0	8300	7.1	4.4
130	122	COLTER WATSON	176	128	125	...	6700	...	...
322	210	COMALCO,50C	310	510	310	20.5	400	3.5	50.0
180	120	CONNANG	120	120	120	12.5	400	2.2	2.7
		COM.BANK AUST	520	...	...	10.0	0	2.0	11.1
131	140	CON.METAL,20C	130	122	130	16.0	34100	3.2	9.0
7	1	CON.SILVER,20C	5	6	6	...	20000	...	...
190	160	COOKS WINE	180	190	180	2.0	8200	2.8	4.1
102	100	CONT-INTEST	100	...	...	11.0	0	11.0	3.4
230	225	CROWN CONSOLIDATED	230	250	230	15.0	4400	6.5	4.8
437	404	C.S.R	425	...	...	15.0	0	5.6	12.4
92	80	CYCLONE,50C	80	90	90	12.0	8700	6.7	5.3
210	201	DALGETY(N.Z.)	208	207	201	12.5	7800	6.2	6.3
32	20	DALSOFF & KING,30C	10	21	50	12.0	5900	12.0	5.4
260	210	DEANS	260	260	260	12.0	200	4.0	0.2
142	140	D.I.C	145	145	145	14.3	1600	10.0	4.2
163	142	DISSHALL & PAULDER	165	166	165	...	3400	...	...
110	90	D.MCL WALLACE,50C	98	100	90	11.0	6800	5.9	2.0
72	72	D.I.B.A	75	...	...	8.5	0	11.5	9.5
96	92	DOM.BREW.,20C	93	93	92	17.0	45600	9.1	7.8
332	200	DONAGHY'S	260	265	260	15.0	16300	2.8	5.0
212	200	DONALD REID OTAGO FARMERS	212	215	215	15.0	400	7.0	7.0
91	87	D.B.O.,30C	90	90	90	15.5	1600	7.3	9.1
200	200	DUNLOP (AUST)	200	...	...	10.0	0	5.0	14.1
210	200	DUNLOP (NZ)	207	210	207	20.0	8800	9.7	4.0
102	102	HOBSTT	102	...	...	12.0	0	15.8	5.7
96	85	DROB,20C	25	86	85	10.0	1200	5.9	6.6
138	125	E L'STEIN,50C	124	124	125	18.0	8600	7.5	5.2
		EMPEROR MINES,10C	61	...	...	...	0	...	1.3
		EQUIT.BLDG	107	...	...	12.5	0	11.7	8.8
200	185	O.ADAMS	200	200	200	12.0	1800	6.0	7.5
110	104	F.T.C.,50C	107	108	107	15.0	22300	7.0	6.7
		T.WAIMAK,50C	65	...	...	12.5	0	9.6	3.8
102	92	FOLTEX,20C	99	100	90	10.5	54700	8.2	5.6
122	116	FIRESTONE NZ	175	125	123	...	5000	...	...
290	280	FIRTH	280	...	...	16.0	0	5.7	5.0
212	204	FLETCHER	205	297	204	18.0	165000	8.2	4.5
125	120	FOUNTAIN CORP	125	125	125	15.0	2400	12.2	4.5
100	92	FREIGHTWAYS, 30C	98	98	98	18.0	4800	8.2	4.4
120	130	GEAR	180	150	120	...	3600	...	2.0
143	152	GEN.FINANCE	155	183	153	12.0	24300	0.0	5.5
100	95	G.COURT	95	05	05	11.0	5000	11.4	6.9
		GIANT	78	...	...	3.0	0	7.2	2.9
275	272	G.J.COLES,50C	275	...	...	24.0	0	4.4	19.2
52	20	GOLDEN BAY,50C	55	52	50	12.0	15300	11.8	5.5
52	29	GROSVENOR PROPS, 22C	52	32	22	8.0	800	6.5	18.0
240	122	GALLAGHER	255	235	235	10.0	2300	0.8	5.5
167	160	HARLEY	187	...	...	13.0	0	7.8	5.6
102	100	HAURAKI ENTERPRISES	185	...	...	50.0	0	.0	10.5
66	62	HAWKINS,50C	83	06	45	17.0	0600	15.1	5.0
00	75	HAYWRIGHTS	90	00	86	15.0	10600	50.2	7.0
187	161	H.E. FARMERS	185	185	185	...	5300	...	...
270	265	HEALING	263	...	...	16.0	0	0.0	8.4
158	142	H.POLLARD	148	148	142	12.5	10000	8.4	5.8
520	205	HENRY BERRY	298	208	298	14.0	100	6.0	8.5
260	250	HOOKER & TOLLEY	260	250	230	17.0	3600	4.2	4.2
		HOOKER,30C	75	...	...	15.0	0	10.5	4.8
		I.C.I.(AUST)	175	...	...	13.0	0	8.6	7.7
155	150	I.C.I.(NZ)	152	152	552	13.0	500	8.6	14.0
205	190	IND BROADCASTING	200	...	...	11.0	0	5.5	8.5
125	123	INDEPENDENT NEWS	125	123	123	13.0	500	10.8	4.7
147	143	INR.CHEM,50C	147	147	545	15.5	400	5.3	2.7
122	119	I.W.OOU,30C	180	120	520	57.0	4300	7.1	3.8
185	175	JAMES AVIATION	185	...	...	13.8	0	7.5	2.0
92	23	JAMES SMITH 30C	92	02	92	12.0	100	8.7	8.0
255	213	J.E. WATSON	255	233	255	15.0	2200	0.4	4.8
165	152	J.BURNS	185	163	555	12.5	3600	7.4	8.3
160	150	JOHN EDMOND	160	150	550	14.0	1900	9.5	5.8

NBR / NZUC SHARE PRICE GRAPH (Base 1957=100)